

List of Resources

The categorized list below contains references to resources used by the Committee as the basis for discussion and decision-making. All of the items can be accessed electronically on SMMUSD’s Website at:

<http://www.smmusd.org/superintendent/MalibuUnification/report.html>.

Resource Number	Committee’s Working Documents
B.1	Ground Rules
B.2	Glossary (Report Appendix E)
B.3	Plan of Work
B.4	Term Sheets (Report Appendix C)
B.5	Illustrative Projections of Revenue Neutrality Formula (Report Appendix D)
B.6	Committee’s Agendas and Minutes
Resource Number	Memos/Reports/Presentations from Consultants Retained by Committee
B.7	Presentation to Committee on School Financing in California by School Services of California Inc. July 14, 2016 (video)
B.8	Review of Prior Reports and Analyses of District Reorganization, prepared by School Services of California, Inc., August 1, 2016
B.9	SMMUSD Reorganization Review and Analysis, Report prepared by School Services of California, Inc., September 14, 2016 (Revised December 6, 2016)
B.10	Memorandum to the Committee with responses to questions on bond-related issues, prepared by John Lemmo, Partner, Procopio, July 21, 2016
B.11	Memorandum to the Committee with responses to the Committee’s questions on environmental liability, prepared by John Lemmo, Partner, Procopio, August 8, 2016

Resource Number	Data and Other Information from the District
B.12	Memorandum to the Board containing update on the District's leases, prepared by Carey Upton, Director of Maintenance, Operations, Transportations, and Facilities Use Departments, July 15, 2016
B.13	PowerPoint Presentation on SMMUSD's insurance program, provided by Jan Maez, Chief Financial Officer, and a representative from the Alliance of Schools for Cooperative Insurance Program (ASCIP), July 19, 2016
B.14	Presentation from District's Chief Financial Office, to the Board on 2015-2016 SMMUSD Unaudited Actuals, September 1, 2016
B.15	Unaudited Financial Statements for 2015-2016, September 1, 2016
B.16	Audit Report for the Year Ended June 30, 2016 (Audited Financial Statements)
B.17	Measure BB Report and Measure ES Report (as of May 31, 2016) presented from the Bond Advisory Committee to the Board on August 16, 2016 (two documents)
B.18	PowerPoint Presentation from Tony Hsieh, Keygent Advisors, SMMUSD Bond Program Overview, October 4, 2016
Resource Number	Background Documents (listed in chronological order)
B.19	Feasibility Analyses of Proposed SMMUSD Reorganization, prepared by WestEd for AMPS (two documents: original and second, updated version); January 2013 and Final Report July 2015
B.20	Memorandum prepared by WestEd for AMPS, Reorganization Research Findings, November 12, 2013 (further research and analysis regarding the January 2013 WestEd report)
B.21	Memorandum from Marguerite Mary Leoni, Neilsen Merksamer, LLP, to AMPS, Questions Pertaining to Formation of Malibu Unified School District, September 22, 2014

Resource Number	Background Documents (listed in chronological order)
B.22	Financial Oversight Committee’s two memorandums to the Board on the financial implications of reorganization, July 15, 2015: (1) Implications Relating to Annual Operating Budgets (2) Implications Relating to the Division of Assets and Liabilities
B.23	Financial Oversight Committee’s update to the Board on the budgetary implications of reorganization, November 19, 2015
B.24	Board of Education’s Action Item, Recommendation No. A.16, to Establish the Malibu Unification Negotiations Committee, December 17, 2015
B.25	Board’s Action to appoint members of the Santa Monica Team and recognize appointment of members by the City Manager to the Malibu Team, January 21, 2016
Resource Number	Other Documents
B.26	Map of SMMUSD and current list of SMMUSD schools by location (Report Appendix A)
B.27	California Department of Education, District Organization Procedures
B.28	Judge Anderson’s Judgment and Permanent Injunction, September 1, 2016

Ground Rules for the Malibu Unification Committee

The Malibu Unification Committee unanimously adopted the ground rules outlined below. The Committee recognizes that: ground rules are based on the concept that a negotiation process should treat all parties fairly; ground rules apply equally to all involved; and it is the joint responsibility of all participants to assure that these ground rules are observed. Participants are free to question, in good faith, others' actions that are covered by these ground rules.

A. Committee Member Conduct 101

1. Listen politely without interrupting (even when you don't agree).
2. Do not dominate the conversation.
3. Speak and act respectfully at all times; avoid blaming, personal attacks, and cheap shots.
4. Be present.

B. Other Behaviors that Make for Effective Groups and Effective Decision-making

1. Stay on track; keep your contributions focused on the task.
2. Speak from your own perspective and explain the reasons for your point of view.
3. Test for assumptions and inferences – your own and others'.
4. Do not impugn another person's intent or motive.
5. Encourage differences of opinion, while also committing to disagree agreeably.
6. Regard disagreements as problems to be solved as opposed to battles to be won.
7. Be open to other perspectives and alternative courses of action.
8. Find opportunities to praise others' ideas.
9. Focus on interests, not positions.
10. Deal as much as possible with facts; facts give opinions and feelings more credibility.
11. Share all relevant information; do not withhold information for "tactical advantage."

C. Process and Procedures

1. General

- a. The Committee's meetings will comply with the Ralph M. Brown Act (Government Code Sections 54950-54963), referred to as the "Brown Act".
- b. There will be no substitute Committee members.
- c. Committee members agree to do periodic self-critiques of the Committee's progress.
- d. The Committee can make additions or changes to these ground rules along the way.

2. Meeting Logistics and Agendas

- a. The time, location, and scheduling of the Committee's meetings, unless the Committee decides otherwise, are as follows:
 - Committee meetings will be held from 7-9 PM on Tuesday evenings.

- The Committee meeting location will alternate between SMMUSD District Offices and Malibu City Hall.¹
 - No Committee meeting will be scheduled unless at least two members of each negotiating team can attend.
- b. Committee meetings will begin when all members expected to attend have arrived.
 - c. Committee meetings will adjourn at the time stated on the agenda unless there is a Committee consensus to extend the meeting for a specified purpose and time period.
 - d. Any Committee member (or the facilitator) can request that the Committee take a break, for example, for a team caucus or to collect information. The general operating rule is that any request for a break will be honored.
 - e. In consultation with Committee members, the facilitator will develop the agenda for each meeting; all agenda items suggested by a Committee member will be agendized.

3. Decision-making by consensus

- a. The Committee will make its decisions by consensus, defined as the general agreement of all participants on a proposal; a proposal may include more than a single element.
- b. Consensus does not necessarily mean that all Committee members are equally satisfied with every aspect of a proposal, but it does mean that all Committee members can live with the proposal and no Committee member will stand in the way of implementation.
- c. The table below summarizes the method adopted by the Committee for members to communicate their respective degree of agreement with a proposal. In order for the Committee to reach “consensus” on a proposal, all Committee members must register a degree of agreement at three, four, or five.

Number*	Degree of Agreement	Included in Committee’s definition of consensus
Five	I am for it and will work hard for it.	Yes
Four	I have reservations but will go along with it.	Yes
Three	I don’t like it. I won’t work for it, but I won’t work against it.	Yes
Two	I cannot agree yet.	No
One	I hate it and will actively work against the proposal as it stands.	No

* Committee members have the option of communicating their 1-5 degree of agreement by speaking the number or raising the requisite number of fingers.

- d. If a Committee member’s degree of agreement registers at a one or two, then that participant is responsible for explaining how his or her interests are adversely affected and how the proposal being discussed fails to meet those interests. The participant withholding agreement is then responsible for trying to propose alternatives that would raise his or her support to at least a three; the participant is welcome to ask for assistance from fellow Committee members. If, after a reasonable period of debate, there doesn’t appear to be a consensus, then a vote of at least two members on each team with a vote of four or five shall be considered approval of the item or proposal.

¹ Committee Member Rosenthal’s attendance is required for meetings held at Malibu City Hall.

- e. During the decision-making process, all Committee members should continue to consider options that meet everyone's interests sufficiently to garner everyone's degree of support at a three, four, or five level.
 - f. Any revised proposal must return to the full Committee for review and decision-making because one person's changes may lower the buy-in from others.
4. Committee interactions with consultants and other entities outside of Committee meetings
- a. Unless the Committee decides otherwise on any specific matter, the facilitator is assigned the job of coordinating and channeling communication to and from the Committee and subject experts or other consultants retained to support the Committee's work. This is expected to include, but not be limited to:
 - An educational consultant to provide support on technical budgeting questions;
 - A law firm to provide legal guidance related to non-budgetary financial issues; and
 - A law firm to provide legal guidance on questions related to environmental liability.
 - b. Unless the Committee decides otherwise on any specific matter, the facilitator is assigned the job of coordinating and channeling communication to and from the Committee and other entities, to include the Los Angeles County Office of Education, state legislators, or others designated by the Committee.
5. Public comments at Committee meetings
- The following guidelines apply to all speakers:
- a. Speakers are invited to address items on the Committee's agenda or topics relevant to the Committee's overall charge from the SMMUSD Board of Education.
 - b. Individuals who wish to address the Committee during a meeting are requested to
 - Complete a speaker card that asks for the speaker's name and the agenda item or other issue they wish to address; and
 - Hand the completed speaker card to the Committee's facilitator.

Note: Speaker cards will be available to the public at all meetings. While the card requests a speaker to provide his/her name for the record, the Committee will respect a speaker's desire for anonymity.
 - c. Individuals will be given three minutes to address the Committee.
 - If a speaker intends to address an item on the agenda, then the facilitator will call on the speaker at the beginning of the appropriate agenda item.
 - If a speaker intends to make a general comment or a comment on a topic not on the Committee's agenda, then the facilitator will call on the speaker during the time on the agenda designated for "Public Comments."
 - d. The facilitator will indicate when a speaker's three minutes has expired. At the request of any Committee member, a speaker's time can be extended beyond three minutes.
 - e. Efforts will be made to accommodate everyone who has filled out a speaker card. However, given time constraints, there may be times when the Committee needs to reduce the time per speaker allocated for public comment.

6. Interactions with representatives of the media

- a. When discussing the Committee's work with reporters, Committee members will present only their own views and not those of other Committee members.
- b. When discussing the Committee's work with reporters, Committee members will try not to blame or criticize each other.
- c. Committee members will try to avoid making any statements to the media prejudging the outcome of the Committee's work.
- d. Committee members will refrain from talking with representatives of the media during Committee meetings.

Note: The purpose of adopting ground rules regarding Committee members' interaction with the media is to minimize statements appearing in the press that could impede constructive discussion in the group and/or reduce participants' ability to accept or modify a proposal.

Attachment: The Role of the Facilitator

Attachment
The Role of the Facilitator for the Malibu Unification Committee

As a third-party neutral, the facilitator's job is to assist the Committee to learn and use effective group processes to navigate the following four basic steps in a negotiation: (1) adopt procedures; (2) educate one another; (3) generate workable options; and (4) reach a mutually acceptable agreement, pursuant to the Major Action Item entitled "Process of Negotiations Between Santa Monica-Malibu Board of Education and Representatives of a Potential Malibu Unified School District Regarding Resolution of Issues and Concerns Pertinent to Unification of a Separate Malibu Unified School District," which was approved by the Santa Monica-Malibu Unified School District Board of Education on December 17, 2015.

The facilitator will:

- Serve as an impartial process guide for the Committee.
- Remain substantively neutral.
- Have no authority to make decisions for the Committee.
- Believe in the good will of all Committee members, recognizing that each voice has value, perception, and wisdom.

The Committee agrees that the facilitator will perform the specific tasks listed below:

1. Help the Committee to establish ground rules.
2. Assist with agenda setting in advance of each meeting.
3. Maintain a safe and productive working environment by enforcing ground rules and keeping the Committee focused on the agenda.
4. Assist with clarifying the problem(s) and issues to be addressed as well as the scope and boundaries of the Committee's discussions.
5. Assist with designing and implementing a process that can move the Committee along a path that results in reaching agreement on durable solutions; this can include:
 - Encouraging joint fact-finding and information sharing.
 - Assisting with internal group communication, e.g., addressing any disruptive communication patterns; helping the group to respectfully identify and discuss different interests.
 - Helping the Committee to identify options and summarize areas of agreement.
 - Encouraging specificity in agreements.
 - Offering assistance to break an impasse.
6. If and when requested by the Committee, serve as the Committee's liaison to subject experts or other entities designated by the Committee.
7. Help the Committee evaluate its progress along the way, to include advising the parties when the process no longer appears to be meeting its objectives.

Glossary

This glossary contains definitions and explanations for the acronyms, words, and phrases that the Committee used during the course of its work. The glossary includes four sections:

Section A:	Acronyms
Section B:	Terms Related to Schools and the Financing of California Schools
Section C:	Terms Adopted for Negotiations and Drafting the Agreement
Section D:	Explanations of Assessed Value of Property, Parcel Tax, and Property Value Within the Context of Reorganization

Section A: Acronyms

ADA	Average Daily Attendance
AMPS	Advocates for Malibu Public Schools
COLA	Cost-of-Living Adjustment
COPs	Certificates of Participation
EPA	Education Protection Account- Proposition 30
FOC	SMMUSD's Financial Oversight Committee
LACOE	Los Angeles County Office of Education
LCFF	Local Control Funding Formula
MBG	Mandated Cost Block Grant Revenue
MUSD	Malibu Unified School District
OPEB	Other Post-Employment Benefits
PCB	Polychlorinated Biphenyl
SBE	California State Board of Education
SMMEF	Santa Monica-Malibu Education Foundation
SMMUSD	Santa Monica-Malibu Unified School District
SMUSD	Santa Monica Unified School District
SSC	School Services of California, Inc.
TK	Transitional Kindergarten

Section B: Terms Related to Schools and the Financing of California Schools

Average Daily Attendance (“ADA”)

ADA is the average number of pupils actually attending class each school day, and generally equals 95-98% of enrollment. The State requires school districts to collect and report ADA data at two times during the school year: P1 (October) and P2 (April). Whenever ADA is referenced in this Report, it means the P2 ADA.

Local Control Funding Formula (“LCFF”)

The Local Control Funding Formula (LCFF), enacted in 2013-2014, is the primary mechanism for distributing State funds to TK-12 school districts in California. It replaced the previous Revenue Limit financing approach, which had been operating for about 40 years. (LCFF definition continues on the next page.)

For school districts and charter schools, the LCFF establishes base, supplemental, and concentration grants in place of many previously separate tax revenue categories, general-purpose block grants, and categorical programs. Under LCFF:

- The State sets a target amount of revenue for each school district based upon ADA and certain other factors. Each district’s share of local property taxes is subtracted from this target and the State funds the difference;
- Any school district that receives enough local property tax revenue to come close to its LCFF target amount, as SMMUSD does today, is entitled to also receive an additional amount of State funding, which is known as “Minimum State Aid.” A district that receives a combination of local property tax revenue, some State LCFF funding and Minimum State Aid is known as a Minimum State Aid district;
- A school district whose property tax revenue meets or exceeds its LCFF target amount (i.e. a “Basic Aid” district), as would be the case for MUSD immediately upon reorganization, but which would not occur in SMMUSD in the absence of reorganization or in SMUSD for many years, also receives Minimum State Aid; and
- A Minimum State Aid or Basic Aid district can provide a higher level of funding for its schools than a district that does not qualify for Minimum State Aid (e.g., SMUSD, at least for several years).

The relevance of the State’s funding formula to reorganization is that SMMUSD would likely maintain Minimum State Aid status and then achieve Basic Aid status sooner than would SMUSD alone due to the disproportionate amount of property tax revenue generated in MUSD on a per ADA basis that would no longer be available to SMUSD. MUSD is likely to become a Basic Aid district immediately. (See Appendix B.7 for a link to SSC’s presentation on school finance in California, which contains more explanation of these issues, including how LCFF affects the finances of reorganization.)

Minimum Guarantee for K-14 Education

The Minimum Guarantee is a formula, established in 1987 by Proposition 98 that determines the minimum amount of State aid that must be allocated to K-14 educational agencies each year out of the state budget.

Other Postemployment Benefits (“OPEB”)

OPEB is a term coined by the Governmental Accounting Standards Board (GASB) that refers to benefits (other than pensions) that U.S. state and local governments provide to their retired employees. These benefits principally involve health care benefits, but may include other services such as life insurance and disability.

Proposition 30

Proposition 30, approved by California state voters in 2012, established higher temporary tax rates for the sales tax and personal income tax on high-income taxpayers. The sales tax rate increase generated about \$1.5 billion/year and expired at the end of 2016. The high-bracket income tax increase generates about \$6 billion/year and was scheduled to expire at the end of 2018, but under Proposition 55 approved by the voters in 2016, was extended until 2030.

Transitional Kindergarten

SMMUSD is considered a Transitional Kindergarten (“TK”) through 12th grade school district. TK is a public school educational opportunity for children who turn five between September 2 and December 2, and is the first-year of a two-year Kindergarten program. TK evolved from the Kindergarten Readiness Act of 2010, which changed the Kindergarten and First Grade entrance date beginning in the 2012-2013 school year. Current SMMUSD locations for TK are McKinley Elementary, Will Rogers Learning Community and Webster Elementary.

Unification

Under California State law, the organization or reorganization of a school district is referred to as “unification,” regardless of whether it combines existing separate school districts into a new district, or divides an existing school into separate districts.

Unified School District

In California, a unified school district operates both primary schools, from kindergarten through middle school, and high schools.

Section C: Terms Adopted by the Committee for Negotiations and Drafting the Agreement

ADA Method

A method developed by the Committee for dividing Fund Balances between SMUSD and MUSD at the time of reorganization that accounts for changes in ADA between now and the time of reorganization. The ADA Method is the three-year average of the percentage share of ADA in each district. The three years will be the three fiscal years immediately preceding the fiscal year when reorganization becomes effective. The current Santa Monica/Malibu community ADA ratio is 84%/16%.

Agreement

The Committee’s integrated set of principles, terms, conditions, and related provisions for addressing the topics assigned to it by the Board pursuant to a December 17, 2015 Action Item. The substance of the Agreement is detailed in the Committee’s Report to the Board, which consists of a Memorandum and five Appendices.

Board

SMMUSD’s Board of Education

Committee

The Malibu Unification Negotiations Committee

Compensated Absences

The Governmental Accounting Standards Board defines “compensated absences” as an accrued liability for absences that public sector employees will be paid for, such as vacation and sick leave.

Cumulative Delta

The sum of the Delta for any fiscal year added to any amount of the Delta, plus interest where applicable, remaining unpaid from prior years. A positive Cumulative Delta balance represents a credit to MUSD that will be applied against future negative Deltas. A negative Cumulative Delta balance represents the amount of money owed to SMUSD by MUSD.

Delta

The annual measurement of the Financial Effect multiplied by SMUSD’s ADA. A *negative* value (i.e., the revenue per ADA for SMUSD is less than that which would have been realized by a theoretical SMMUSD) creates an obligation on the part of MUSD to make a payment in that amount to SMUSD. A *positive* value (the revenue per ADA for SMUSD exceeds that which would have been realized by a theoretical SMMUSD) will result in a credit to MUSD offsetting future payment obligations.

Delta Tracking Provision

This is a provision in the Agreement for ending the annual calculation of the Delta before fiscal year 2029-2030 if relatively small amounts are owed to SMUSD by MUSD for a specified period of time, because that would demonstrate that the two districts are operating independently with no significant adverse Financial Effect on SMUSD. (Appendix C contains the details on the mechanics of the Delta Tracking Provision.)

District

Santa Monica-Malibu Unified School District

Financial Effect

The difference in Unrestricted General Fund revenue per ADA in SMUSD vs. what that revenue per ADA would have been if reorganization had not occurred and SMMUSD continued to exist.

Formula

The Revenue Neutrality Formula (see definition below).

Group One

The first of two transition/implementation groups that the Committee recommends be appointed. Specifically, the Committee recommends the SMMUSD Board appoint Group One to work on the things that need to happen between the time the Board approves moving forward with reorganization and the time that reorganization becomes effective.

Group Two

The second of two transition/implementation groups that the Committee recommends be appointed. Specifically, after reorganization becomes effective, the Committee recommends that the respective Boards of Education of SMUSD and MUSD appoint Group Two to work on the logistics and any outstanding issues that need to be resolved to ensure a smooth transition to the interactions of the two districts.

Illustrative Revenue Neutrality Formula Projection (the “Illustrative Projection”)

This is the spreadsheet in Appendix D that illustrates the application of the Revenue Neutrality Formula. The Committee developed the Illustrative Projection based on the best information available at the time of this writing.

Malibu Ability-to-Pay Cost-of-Living Adjustment (“COLA”)

The Malibu Cost-of-Living-Adjustment used in the Formula. The COLA will be the published State Revenue COLA, but if necessary, will be adjusted so that it is no less than 50% and no more than 80% of the annual percentage change in the total assessed value of real property within MUSD.

Measure BB Funds

The facility bond funds made available to SMMUSD as a result of Measure BB, which was approved by District voters in November 2006. Approval of Measure BB authorized the Board to issue bonds backed by assessments on real property in both Santa Monica and the Malibu community in an aggregate amount of \$268,000,000.

Measure ES Funds

The facility bond funds made available to SMMUSD as a result of Measure ES, which was approved by District voters in November 2012. Approval of Measure ES authorized the Board to issue bonds backed by assessments on real property in both Santa Monica and the Malibu community in an aggregate amount of \$385,000,000. At least 20 percent (\$77,000,000) was to be made available for Malibu public schools.

Procopio

Procopio, Cory, Hargreaves & Savitch LLP is the law firm retained by the Committee to provide advice and legal support.

Reorganization

The reorganization of SMMUSD into two separate Transitional Kindergarten (TK) through 12th grade public school districts: Santa Monica Unified School District (SMUSD) and Malibu Unified School District (MUSD).

Note: While the Committee chose to adopt the term “reorganization” for its negotiations and Agreement, this process is also referred to in other contexts as “unification” or “separation.”

Revenue Neutrality

The Board’s objective to eliminate any significant adverse Financial Effect on SMUSD from the reorganization of the District into two separate districts (SMUSD and MUSD).

Revenue Neutrality Formula (the “Formula”)

The Committee’s agreed-upon method for calculating the Financial Effect of reorganization and related payment schedule that, in the aggregate, results in Revenue Neutrality in SMUSD.

School Services of California, Inc. (“SSC”)

SSC is the education finance consulting firm retained by the Committee.

State

The word “State” refers to the State of California.

Theoretical SMMUSD

After a reorganization of SMMUSD becomes effective, “theoretical SMMUSD” is the term used to refer to what would have been SMMUSD had reorganization not occurred.

Topics

The Committee’s Plan of Work organized the issues the Board directed the Committee to address into five major “topics:” Topic #1: Impact of Reorganization on SMUSD and MUSD Revenues; Topic #2: Division of the District’s Assets; Topic #3: Bond-related Items and Other Liabilities; Topic #4: Environmental Liability; and Topic #5: Implementation.

Section D: Explanations of Assessed Value of Property, Parcel Tax, and Property Value Within the Context of Reorganization

Assessed Value of Property

Assessed Value is the taxable value of property, which includes land and any improvements made to the land, such as buildings, landscaping, or other developments; it is generally not the market value. The Assessed Value of land and improvements is the basis for the 1.0 percent tax rate (the so-called “general levy”) and voter-approved debt rates which are levied as a percentage of this value and account for most of the annual total property tax bill (see **Property Tax**). Thus, owners of properties with higher Assessed Values pay higher property taxes. The County Assessor determines the Assessed Value of individual properties.

Assessed Value of vacant land and property with existing improvements is generally equal to the price of the property at the time of sale (i.e., market value at that time) and adjusted upward by a maximum of two percent per year (pursuant to Proposition 13), until resold, at which point the Assessed Value is re-set at the new purchase price. Assessed Value of single-family homes and certain other land uses is generally increased by the cost of new construction. The Assessed Value of newly constructed income-producing properties (e.g., apartment buildings, office buildings and shopping centers) is based on factors related to their projected annual net operating income.

Factors that affect the overall Assessed Value of property within a school district (and hence the general levy component of its Property Tax revenue), and the degree to which the total Assessed Value (and associated Property Tax revenue) changes year-over-year, include the mix of residential and non-residential properties and vacant land, the overall proportion and mix of properties that remain unsold versus sold, the number and type of properties that are re-sold and newly constructed, and the market value of properties that are re-sold and newly constructed.

Post-reorganization, the Assessed Value of properties within SMUSD and MUSD, and the degree of change year-over-year, will be a function of how the factors noted above play out within each new district. The SSC projections of each new district’s future Property Tax revenues assume, based on historical trends, that SMUSD would account for about 66.4 percent of SMMUSD’s current Assessed Value and would grow at an annual average rate of 5.04 percent; MUSD would account for about 33.6 percent, and grow at an annual average rate of 4.22 percent. The SSC projections used for estimating the Delta assume that in the absence of reorganization, SMMUSD’s Assessed Value would have continued to grow at an annual average rate of 4.78 percent.

Parcel Tax

A Parcel Tax is an annual tax on all parcels of real property within a designated geographic area to pay for a specified governmental purpose. In order to become effective, a Parcel Tax must be approved by at least two-thirds of the voters within that geographic area voting in the election. SMMUSD’s Measure R is a Parcel Tax that is based on a fixed amount charged on all land parcels located within SMMUSD, which is adjusted each year for changes in inflation. The

Measure R Parcel Tax is a “local revenue” separate from LCFF revenue that is also recorded in SMMUSD’s Unrestricted General Fund.

Post-reorganization, the SSC revenue projections assume that SMUSD would continue to levy the existing Measure R parcel tax on the land parcels located within that new school district, and that voters within MUSD would approve a new parcel tax in an amount equal to Measure R, which would be applied to the land parcels in that new school district.

Property Tax

State law imposes a tax on owners of real property and certain other assets (e.g., office equipment). The annual tax amount on real property includes three categories: (1) the “general levy” equal to 1.0 percent of Assessed Value (see **Assessed Value**); (2) voter-improved indebtedness, also based on Assessed Value (e.g., school facility bonds); and (3) special assessments, which are based on particular formulas as approved by voters within particular geographic areas where the special assessment applies (e.g., parcel taxes). Certain properties—including property owned by governments, hospitals, religious institutions, and charitable organizations—are exempt from the general levy, but not necessarily the other Property Tax categories.

Property Tax revenue remains within the county in which it is collected and is used exclusively by local governments. Each dollar of the general levy (i.e., 1.0% x Assessed Value) component of property tax is divided among a number of local government agencies, whose mix and particular allocation varies by location within a county. SMMUSD currently receives approximately 17.0 percent of each dollar from the general levy, which represents the largest source of its LCFF funding (see **Local Control Funding Formula**). SMMUSD also receives an annually-determined amount from the Property Tax to help retire outstanding debt on issued school facility bonds (the revenue from which is recorded in a special Fund). In addition, SMMUSD receives Property Tax revenue from the Measure R parcel tax (see **Parcel Tax**), which is a special assessment.

SMMUSD receives additional property tax associated with the former City of Santa Monica Redevelopment Agency. Although the Agency is in the process of dissolution, these revenues will continue after reorganization becomes effective.

Post re-organization, SMUSD and MUSD would receive Property Tax revenue based on their respective Assessed Values, amounts of bond debt and approved parcel taxes. Because all of the properties generating redevelopment-related property tax revenues are located in the City of Santa Monica, the Agreement allocates all of these revenues to SMUSD.

Malibu Unification Negotiations Committee
Plan of Work: Issues and Sub-Issues by Topic

Topic 1. Financial (Operating Budget) Impacts

Issues for Committee to Address

1. Using agreed-upon assumptions, develop a mechanism for eliminating any significant adverse financial impact on the operating budget of SMUSD from separation. *Adverse financial impact* is defined as the difference in revenue per student in SMMUSD (if the governance structure remains the same) vs. revenue per student in a Santa Monica only district.
 - a. Committee review of and discussion about 11/15/15 Updated FOC Financial Information
 - b. Committee review of and discussion about independent consultant’s comments on 11/15/15 Updated FOC Financial Information, and any recommendations for a revenue neutrality recommendation
 - c. What to measure:
 - i. Focus on revenues (not operating costs)
 - ii. Focus on revenues in the Unrestricted General Fund (not Restricted General Fund or other Fund Accounts)
 - iii. Specific revenue metric for definition of “adverse impact” (e.g., annual and cumulative difference in per-ADA revenue to SMUSD vs. SMMUSD, or “revenue neutrality”)
 - iv. Time period for measurement of revenue impact (e.g., at least 3 years applicable to district budgeting; maybe a longer view consistent with State budget forecast if K-12 revenue parameters can be determined)
 - v. Key revenue drivers likely to have the largest impact on future annual revenues (e.g., LCFF; local property tax revenue; SaMo RDA revenue; Minimum State Aid)
 - vi. Variance range for key revenue drivers in light of uncertainty and analysis time horizon
 - d. Measurement of the revenue neutrality amount (based on above factors and considerations)
 - i. Annual
 - ii. Cumulative
 - e. Options for funding the measured revenue neutrality, for example:
 - i. Annual payments and over a specified number of years
 - ii. One-time payment (e.g., net present value of future payments)
 - iii. Others to be determined
 - f. The recommended revenue neutrality mechanism

2. Determine the appropriate legal structure for implementing the agreed-upon mechanism to insure legality and enforceability.
 - a. Criteria for a “legal and enforceable” mechanism
 - b. Candidate mechanism options (e.g., Memorandum of Understanding; contract; special State legislation)
 - c. Pros and cons for each mechanism
 - d. Recommend a preferred legal structure
3. Determine the effect of any non-operating budget revenue benefits to SMUSD arising from separation.
 - a. Identify specific examples of non-operating revenues that merit consideration
 - b. Assess any impacts on recommended mechanism and implementation approach
 - c. If necessary, such non-operating revenue
 - d. Determine whether any adjustments to recommended mechanism and implementation approach should be made
 - e. If applicable, recommend adjustments
4. Determine whether there any additional financial items related to operating budget impacts that need to be addressed (e.g., costs of CEQA compliance required for Unification process).
 - a. Identify any such additional financial items or issues
 - b. Assess any impacts on recommended mechanism and implementation approach
 - c. If necessary, such non-operating revenue
 - d. Determine whether any adjustments to recommended mechanism and implementation approach should be made
 - e. If applicable, recommend adjustments
5. Determine whether to include a procedure for revisiting any of the agreements or related payment practices reached on operating budget impacts, and, if so, what might be the appropriate procedure(s) and triggering mechanism.
 - a. Identify candidate changes in circumstances that could justify reconsideration of the revenue neutrality mechanism and/or enforcement mechanism
 - b. Determine whether any such changes in circumstances would justify reconsideration
 - c. Formulate options for reconsideration (e.g., annual review or event-driven)
 - d. If applicable, recommend a reconsideration procedure

Topic 2. Balance Sheet Allocations

Issues for Committee to Address

1. Determine allocation method for SMMUSD's cash assets, i.e., pro rata ADA basis or some specified alternative.
 - a. Major governmental funds
 - i. General Fund (unrestricted): LCFF Revenues; City of SM funding; Prop. R Parcel Tax funds; lease income; SMMEF funding
 - ii. General Fund (restricted)
 - iii. Building Fund – undisbursed bond proceeds
 - iv. Bond Interest and Redemption Fund
 - b. Special Revenue Funds
 - i. Adult Education Fund
 - ii. Child Development Fund
 - iii. Cafeteria Special Revenue Fund
 - iv. Deferred Maintenance Fund
 - c. Capital Project Funds
 - i. Capital Facilities Fund – developer fees
 - ii. Special Reserve Fund – tax increment from RDA
 - d. Self Insurance Fund – relates to OPEB liability
 - e. Fiduciary Funds – agency funds held for benefit of employees or student groups
2. Determine allocation method for SMMUSD's physical assets
 - a. Schools
 - b. Other land/buildings
3. Determine which of SMMUSD's liabilities (other than bond debt and environmental liability) need to be allocated and the recommended allocation method.
 - a. Certificates of Participation
 - b. Compensated absences
 - c. OPEB
4. Determine whether there are any additional financial items related to balance sheet allocations or off balance sheet items that need to be addressed. (Per the Board's December 17, 2015 action, the Committee will notify the Superintendent, the City Manager of Malibu, and the Board of Education, during monthly presentations, of any additional financial issues identified by the Committee.)
5. Determine whether to include a procedure for revisiting any of the agreements reached on balance sheet allocations and, if so, what might be the appropriate procedures and triggering mechanism

Topic 3. Allocation of Bond Debt and Authorization to Issue New Bonds

Issues for Committee to Address

1. Determine method of allocating SMMUSD's indebtedness under issued and outstanding bonds.
2. Establish a mechanism that would permit refinancing of SMMUSD's outstanding bonds.
3. Establish mechanism for allocating authority to issue future bonds that have already been authorized. This issue includes analyzing legal issues associated with mechanisms considered, including the possibility of new State legislation.
4. Determine whether there are any additional financial items related to bonds that need to be addressed. (Per the Board's December 17, 2015 action, the Committee will notify the Superintendent, the City Manager of Malibu, and the Board of Education, during monthly presentations, of any additional financial issues identified by the Committee.)
5. Determine whether to include a procedure for revisiting any of the agreements reached on bond-related issues and, if so, what might be the appropriate procedures and triggering mechanism.

Topic 4. Litigation

Issues for Committee to Address

1. Determine how to accomplish the objective (as stated in the Board's December 17, 2015 action) to establish a structure under which MUSD assumes responsibility for any remaining remediation of any contamination in Malibu schools and indemnifies SMUSD for any future claims arising from such remediation work or failure to undertake appropriate work.
2. Determine how to accomplish the objective (as stated in the Board's December 17, 2015 action) for dismissal of the pending lawsuit against SMMUSD or an enforceable agreement from the plaintiffs that SMUSD will be dismissed from the lawsuit.

Listing of Sub issues:

- Allocation of current and potential liabilities
 - Existing Lawsuit: Terms and process of relief
 - Potential future lawsuits for injunctive relief: owner of liability and how to indemnify
 - Remediation Costs: owner of financial liability
 - Temporary housing: owner of financial liability
 - Future lawsuits challenging sufficiency of post separation mediation: owner of liability and how to indemnify
 - Current/Future lawsuits asserting personal injury: owner of liability and how to indemnify
 - Any other Legal process/issues by which agreed upon division of liabilities is executed
- Timing of start of remediation
 - Discuss potential for starting remediation post-agreement but pre executed separation

Topic 5. Implementation Steps

Issues for Committee to Address

1. Develop set of general principles for guiding the Board of Education's decisions on the next steps to take toward implementation of the package of recommendations offered by the Committee on Topics 1 through 4. An examples of a general principle could be "to move ahead expediently while also minimizing risk."
2. Develop recommendations to the Board of Education (BOE) on specific next steps to take towards implementation. Listed below are candidate issues identified (as of 8/9/2016) by the Committee to address; for each, the Committee needs to decide the level of detail to include in the recommendations to the BOE.
 - a. Appointment and role of a "Transition Team."
 - b. The process (or process options/combinations) for approval of the separation, i.e., petition to Los Angeles County Office of Education and State Department of Education, special state legislation, voter referendum(s).
 - c. Other?

UPDATED 8/10/2016 (order of Topics then revised in December 2016)

Appendix C: The Committee’s Final Term Sheets

This Appendix contains the Committee’s final Term Sheets, organized by the five topics in the Committee’s Plan of Work. As a package, the Term Sheets outline the principles, terms, conditions, and other provisions of the Committee’s Agreement.

The five Topics in this Appendix C are organized as shown in the table below. Appendix E, Glossary, contains a list of the acronyms and definitions of terms and phrases that the Committee adopted for its negotiations.

Issue	Begins on Page
Topic #1, Impact of Reorganization on SMUSD and MUSD Revenues	C-2
Topic #2, Division of the District’s Assets	C-12
Topic #3, Bond-related Items and Other Liabilities	C-19
Topic #4, Environmental Liability	C-23
Topic #5, Implementation	C-26

Term Sheet for Topic #1, Impact of Reorganization on SMUSD and MUSD Revenues

I. The Board's Objective

The Board's objective related to the impact of reorganization on SMUSD and MUSD revenues was to eliminate any significant adverse financial impact on SMUSD as a stand-alone district.

The Board anticipated the possibility of a significant adverse financial effect after receiving, in the fall of 2015, a second report on the potential financial implications of reorganization from the District's Financial Oversight Committee and the District's Chief Financial Officer. Based on updated financial data, the report concluded there was a distinct possibility that reorganization could, at least for a period of time, materially reduce revenue to SMUSD on a per ADA basis when compared to revenue per ADA without reorganization.

This concern was confirmed by the Committee's school budget and finance consultant, School Services of California, Inc. (SSC), which prepared a 12-year revenue projections for the existing District, and a future SMUSD and MUSD. SSC concluded that SMUSD could, indeed, experience a significant reduction in per-ADA revenues, as compared with the existing District over the same period, particularly in the latter years of the projections.

The reasons for a potential adverse financial effect on SMUSD are complex, and include the intricacies of how State funds are provided to local school districts in California. (See explanation below.) In addition, although a stand-alone SMUSD would keep certain revenues provided by the City of Santa Monica, which are currently shared with the Malibu schools, SMUSD would no longer receive property tax revenue generated in the Malibu community.

The major mechanism for distributing State funds to TK-12 school districts in California is the Local Control Funding Formula (LCFF). Under LCFF:

- The State sets a target amount of revenue for each school district based upon ADA and certain other factors. Each district's share of local property taxes is subtracted from this target and the State funds the difference;
- Any school district that receives enough local property tax revenue to come close to its LCFF target amount, as SMMUSD does today, is entitled to also receive an additional amount of State funding, which is known as "Minimum State Aid." A district that receives a combination of local property tax revenue, some State LCFF funding and Minimum State Aid is known as a Minimum State Aid district;
- A school district whose property tax revenue meets or exceeds its LCFF target amount (i.e. a "Basic Aid" district), as would be the case for MUSD immediately upon reorganization, but which would not occur in SMMUSD in the absence of reorganization or in SMUSD for many years, also receives Minimum State Aid; and
- A Minimum State Aid or Basic Aid district can provide a higher level of funding for its schools than a district that does not qualify for Minimum State Aid (e.g., SMUSD, at least for several years).

The relevance of the State's funding formula to reorganization is that SMMUSD would likely maintain Minimum State Aid status and then achieve Basic Aid status sooner than would

SMUSD alone due to the disproportionate amount of property tax revenue generated in MUSD on a per ADA basis that would no longer be available to SMUSD. MUSD is likely to become a Basic Aid district immediately. (See Appendix B.7 for a link to SSC’s presentation on school finance in California, which contains more explanation of these issues, including how LCFF affects the finances of reorganization.)

For further explanation of these issues, see Appendix B.7 for a link to a video of SSC’s presentation on school finance in California, and Appendix B.9 for a report that contains SSC’s long-range revenue forecasts, including a sensitivity analysis on key variables.

II. The Committee’s Approach

The Committee approached Topic #1 in multiple steps by first adopting common definitions and guiding principles, then studying the fiscal assumptions and projections provided by SSC, and finally, developing and evaluating a formula and calculation approach for resolving the anticipated per-ADA revenue reduction in SMUSD, consistent with the guiding principles.

Through this process, the Committee adopted an approach to calculate the revenue impacts of reorganization on SMUSD, and established a method for determining a schedule of payments to SMUSD from MUSD that will maintain predictable and stable revenue growth for both districts and, in the aggregate, would eliminate any significant adverse per-ADA revenue impacts from reorganization on SMUSD.

III. Definitions Adopted for Key Words and Phrases

The Committee adopted the following terms and definitions to guide its work:

Definitions Adopted for Topic #1 Negotiations	
Average Daily Attendance (“ADA”)	ADA is the average number of pupils actually attending class each school day and generally equals 95-98 percent of enrollment. The State requires school districts to collect and report ADA data at two times during the school year: P1 (October) and P2 (April). All ADA references in this Report are to the P2 ADA.
Financial Effect	The difference in Unrestricted General Fund revenue per ADA in SMUSD vs. what that revenue per ADA would have been if reorganization had not occurred and SMMUSD continued to exist.
Revenue Neutrality	The Board’s objective to eliminate any significant adverse Financial Effect on SMUSD from the reorganization of the District into two separate districts (SMUSD and MUSD).
Revenue Neutrality Formula (the “Formula”)	The Committee’s agreed-upon method for calculating the Financial Effect of reorganization and related payment schedule that, in the aggregate, results in Revenue Neutrality in SMUSD.

Delta	The annual measurement of the Financial Effect multiplied by SMUSD’s ADA. A <i>negative</i> value (i.e., the revenue per ADA for SMUSD is less than that which would have been realized by a theoretical SMMUSD) creates an obligation on the part of MUSD to make a payment in that amount to SMUSD. A <i>positive</i> value (the revenue per ADA for SMUSD exceeds that which would have been realized by a theoretical SMMUSD) will result in a credit to MUSD offsetting future payment obligations.
Cumulative Delta	The sum of the Delta for any fiscal year added to any amount of the Delta, plus interest where applicable, remaining unpaid from prior years. A positive Cumulative Delta balance represents a credit to MUSD that will be applied against future negative Deltas. A negative Cumulative Delta balance represents the amount of money owed to SMUSD by MUSD.

IV. Guiding Principles

The Committee designed the Formula based on the general principles the Committee adopted for all portions of an Agreement, plus a number of supplemental guiding principles developed specifically for achieving Revenue Neutrality.

The general principles applicable to all terms in the Agreement are that they must: (a) be financially viable for both SMUSD and MUSD; (b) ensure a degree of predictability for both SMUSD and MUSD; (c) enable each district to plan ahead with a reasonable degree of resource certainty; (d) avoid establishing potential negative incentives for either SMUSD or MUSD to pursue increased revenue or otherwise improve education in their schools; and (e) be clear and understandable, legal, and enforceable. (See Memorandum Report, page 11.)

The supplemental guiding principles developed specifically for achieving Revenue Neutrality are summarized below. Appendix D contains an illustrative Revenue Neutrality Formula Projection (the “Illustrative Projection”), which the Committee developed based on the best information available at the time of this writing.

- The Formula must provide for annual Delta calculations beginning with the first fiscal year that reorganization becomes effective through fiscal year 2029-2030. The Committee agreed on fiscal year 2029-2030 as the last year for calculating the Delta because:
 - ✓ SSC’s revenue projections indicate that SMUSD would likely reach Basic Aid status in fiscal year 2030-2031;
 - ✓ The Illustrative Projection indicates that payments to SMUSD from MUSD would continue for an estimated seven years beyond fiscal year 2029-2030 due to the MUSD “ability-to-pay” principle (explained below); and
 - ✓ The time period was negotiated considering all other elements of the Agreement.
- The Formula must provide predictable and stable operating revenue growth for both SMUSD and MUSD. The Formula assumes that a new MUSD parcel tax is passed that is

equal to at least 90% of the parcel tax currently paid by the Malibu community for SMMUSD.

- If the Delta in any year would require a payment by MUSD that would cause MUSD's operating revenue growth to be less than a specified annual cost-of-living adjustment, the unpaid amount will be deferred for payment in future years, plus interest on the deferred amount. (This is the Malibu "ability-to-pay" principle.)
- In the aggregate, the payments to SMUSD from MUSD must equal the sum of the annual Deltas, plus any interest that has accrued.
- The Formula must provide criteria for modifying the number of years that the Formula remains in place based on evidence that SMUSD can stand alone financially without any significant adverse Financial Effect from reorganization. (The Agreement refers to these criteria as the "Delta Tracking Process.") If the number of years that the Formula remains in place is shortened, then any outstanding payments due to SMUSD from MUSD must still be paid.

The timing of reorganization could affect the above guidelines. The Illustrative Projection (see Appendix D) assumes that reorganization becomes effective in fiscal year 2018-2019. If reorganization becomes effective after fiscal year 2018-2019 but before or during fiscal year 2020-2021, the Agreement provides that the Formula would continue as presented. However, if reorganization is delayed beyond fiscal year 2020-2021, the Agreement provides that the Formula will be revisited and open for renegotiation in case the revenue forecasting assumptions or other related TK-12 school finance factors underlying the Formula change. The Committee recommends that any renegotiation be conducted within the context of the basic principles outlined in this Agreement. (See page C-10 for other criteria that would trigger a renegotiation.)

V. Details of the Formula and Related Implementation Provisions

The balance of this Term Sheet outlines the details of how the Formula calculations translate into a schedule of payments or payment credits, and outlines several additional provisions related to Formula implementation. It is organized into the following explanatory sections:

- The method for annually calculating the Financial Effect of reorganization on SMUSD (i.e., the "Delta").
- The method for annually calculating the payment to be made to SMUSD by MUSD based on the size of the Delta and MUSD's "ability to pay."
- The mechanics of a "Delta Tracking Provision" that could result in a reduction in the number of years during which the Delta is calculated.
- The designation of a neutral third-party to perform the above calculations and provisions for SMUSD and MUSD to share equally in the associated costs.
- Criteria for renegotiating the Formula or terms of payment, in the case of a significant change in a key underlying assumption or unexpected future event.

A. The Method for Annually Calculating the Financial Effect of Reorganization on SMUSD

As defined above, the Delta is the annual measurement of the Financial Effect multiplied by SMUSD’s ADA.

1. Sources of Data for the Formula

Average Daily Attendance Data: The student count used in the Formula will be ADA data, which is the average number of pupils actually attending classes each school day, and generally falls within a range of 95-98% of enrollment. As noted earlier, the State requires school districts to collect and report ADA data at two times during the school year: P1 (October) and P2 (April). The ADA Data used in the Formula will be the P2 ADA.

Audited Financial Statement Data: The calculations in the Formula will use revenue data from audited financial statements for SMUSD and MUSD, which are generally available in December of each year following the fiscal year ending in June. Calculations related to future revenue per ADA for a theoretical SMMUSD (i.e., meaning an assumption that reorganization had not occurred) will be derived from these financial data.

As explained below, the Formula uses data for certain components of Unrestricted General Fund revenue. To ensure that the needed data are available, the Committee recommends that SMUSD and MUSD require their respective auditors to provide a supplemental schedule in the audited financial statements that separately shows the revenues noted below. This format of reporting is already the District’s practice for preparation of the unaudited financial statements.

2. Revenue Sources to Include and Exclude in the Delta Calculation

This section outlines the sources of Unrestricted General Fund revenue to include and exclude in the Delta calculation. The table below lists the Unrestricted Revenue Sources to include in Delta calculations. Below the table is an explanation of the Unrestricted Revenue Sources to exclude in Delta calculations.

Revenue Categories	Unrestricted General Fund Revenue Sources to Include in Delta Calculations
LCFF Revenue	<ul style="list-style-type: none"> All categories of LCFF revenue (including property tax, State and Minimum State Aid revenue). <p>In fiscal year 2016-2017, LCFF revenue accounts for 62% of SMMUSD’s total Unrestricted General Fund revenue.</p>
Locally-Generated Revenue	<ul style="list-style-type: none"> Parcel tax revenue (SMUSD and MUSD) Revenue from leases and rentals (SMUSD and MUSD) City of Santa Monica contract revenue City of Malibu contract revenue Santa Monica Measure Y and Measure GSH revenue
New Sources of Local Revenue Generated Post-reorganization	<ul style="list-style-type: none"> Revenue from any new revenue sources established and generated post-reorganization by SMUSD. (See the next paragraph for information on new revenue sources generated post-reorganization by MUSD.)

Other new sources of revenue that MUSD generates post-reorganization will be incorporated into the assessment of MUSD’s “ability to pay” (explained in Section B below), but will not be used in the Delta calculation. This is based on the general principle to avoid any disincentive for either new district to pursue increased revenue or otherwise improve education in their schools. New sources of locally generated SMUSD revenue are included in the Delta calculation because the relatively small amount (i.e., 16% ADA share) that would benefit MUSD is not considered a disincentive.

The other Unrestricted General Fund revenue sources to exclude in the Delta calculation are listed below with an explanation of the rationale behind exclusion.

- Education Foundation Revenue (currently SMMEF) or any similar parent, PTA, and local business generated revenue program. The rationale for excluding revenue from these sources is that these monies would be raised by local organizations in each district respectively, and exclusion aligns with the guiding principle not to create any disincentives for local fund raising efforts.
- Lottery Funding Revenue and Mandated Cost Block Grant Revenue (MBG). These two sources of State funds are allocated (as Unrestricted General Fund revenue) to each school district based on the same dollar amount per unit of annual ADA. As a result, revenue from these sources would have no effect on the calculation of the Delta.

As discussed later in this Term Sheet, if the State changes the method under which it funds TK-12 public schools from the current LCFF approach, representatives from SMUSD and MUSD will meet and confer in order to make reasonable changes, if necessary, to the Formula, consistent with the Guiding Principles adopted for this Agreement. If any of the locally-generated sources of revenue in Santa Monica is terminated, it will be removed as an item of revenue in calculating the Delta.

B. The Method for Annually Calculating the MUSD Payment (or Credit) Based on the Delta and MUSD’s “Ability to Pay”

The Delta calculation will be performed each year beginning with the first year that reorganization becomes effective through fiscal year 2029-2030. (See page C-4 and C-5 for why this year was selected and how the year of reorganization could affect the Formula.) In the aggregate, MUSD will pay SMUSD an amount equal to the sum of the annual Deltas, plus interest (as applicable). The actual payment owed to SMUSD by MUSD in any single year will be calculated to maintain predictable and stable revenue growth for both districts in an amount at least equal to an annual cost-of-living adjustment. This is further explained below.

The Formula incorporates MUSD’s “ability to pay” in several ways. Specifically, the Formula:

- Takes into account the fact that the MUSD revenue will need growth in the early years to ensure the financial viability of the new district, including the ability to fund one-time start-up costs and initiate a reserve fund.
- Provides that MUSD revenue will not experience a net reduction in its year over year revenue due solely to a required payment to SMUSD.

- Provides that MUSD’s ability-to-pay will be based on an annual Cost-of-Living Adjustment (COLA). The COLA will be the published State Revenue COLA, but if necessary, will be adjusted so that it will be no less than 50% and no more than 80% of the annual percentage change in the total assessed value of real property within MUSD.

As explained above, any sources of local MUSD revenue adopted after reorganization will be included in assessing MUSD’s ability to pay but will not be included in revenue for calculating the Delta.

The mechanics of how the Formula determines the annual payment amount to SMUSD are outlined below:

- If, in any year through fiscal year 2029-2030, the Delta is *negative*, MUSD will owe a payment in that amount to SMUSD, except to the extent that any credits remain available from prior years to offset the amount of that payment.
- The amount of the payment to be made by MUSD for any year will be the lesser of:
 - ✓ The amount of the negative Delta for that year (less any remaining credits) plus any unpaid amounts, plus interest, remaining from prior years; or
 - ✓ The amount by which MUSD’s Unrestricted General Fund revenues for the year exceed its operating revenues for the prior year adjusted by the MUSD ability-to-pay COLA.
- Any difference between the amount actually paid by MUSD and the amount of the Delta (less any remaining credits) will be carried forward into the next year with interest at the rate earned by both SMUSD and MUSD on funds deposited with the County of Los Angeles Treasurer’s pooled investments account composed of short-term securities (currently 1.00%).
- No further calculation of the Delta will be made for any year beyond fiscal year 2029-2030, but annual payments will continue to be due to SMUSD from MUSD in an amount equal to the lesser of:
 - ✓ Any Cumulative Delta from prior years, plus interest, or
 - ✓ The amount by which MUSD’s Unrestricted General Fund revenues for the year exceeds its operating revenue for the prior year adjusted by the MUSD ability-to-pay COLA.
- This procedure will continue for each year until all amounts owed to SMUSD by MUSD, including interest, have been paid in full.

C. The Mechanics of the “Delta Tracking Provision”

The Agreement includes a provision that would end the annual calculation of the Delta before fiscal year 2029-2030 if only relatively small amounts are owed by MUSD for a specified period of time, because that would demonstrate that the two districts are operating independently with no significant adverse Financial Effect on SMUSD. This Delta Tracking Provision is outlined below.

- The tracking phase will begin either three years after reorganization becomes effective or fiscal year 2022-2023, whichever is later.
- During the tracking phase, if there are three consecutive years in which the Delta is less than 0.5% of the applicable components of SMUSD's Unrestricted General Fund revenues, then the Revenue Neutrality arrangement ends, except that any outstanding payments, plus interest if applicable, due to SMUSD from MUSD must still be paid.
- If there remains a credit at that time arising from previous calculations of the Delta, SMUSD will not be required to make any payment to MUSD.

D. The Designation of a Third-Party to Perform the Delta Calculations and Annual Timing of Calculations and Payments

1. Designation of a Third-Party

After reorganization becomes effective, the Boards of Education of SMUSD and MUSD will jointly select a neutral third party, with expertise in TK-12 public school financing in California, to perform the annual calculations provided for in the Formula. The two districts will agree on a fair and reasonable fee associated with the performance of this work, and share equally in the costs. The Committee agreed that the procedure for selecting the neutral third party be determined by Group 2, the second of two transition and implementation groups that the Committee recommends be appointed. (See Topic 5, Implementation.)

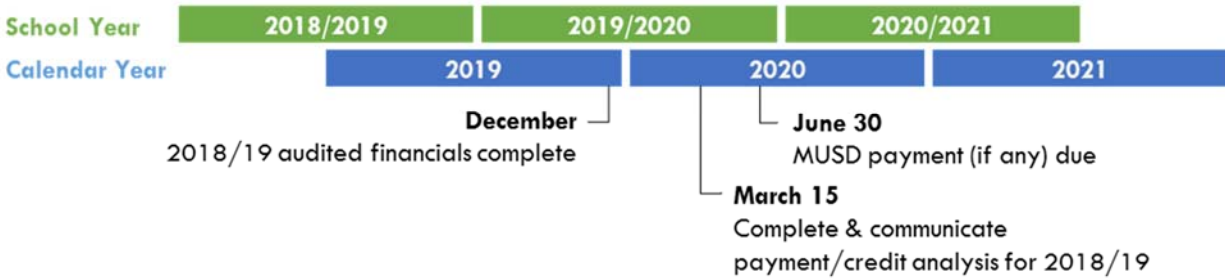
2. Calendar of Calculations and Payments

As noted above, the neutral third party's calculations will use data from the audited financial statements for SMUSD and MUSD, which are assumed to be available in December of each year following the fiscal year ending the prior June 30. It is expected that the initial annual calculations of the Delta and associated payment (or booking of credit) will proceed as follows:

- The audited financials for the first fiscal year of reorganization will be available in December of the second fiscal year after reorganization becomes effective.
- The neutral third-party will perform the calculations of the Delta and associated payment or credit using these audited financials by no later than March 15th of the second fiscal year of reorganization.
- These calculations will be communicated by the neutral third-party to SMUSD and MUSD no later than March 15th of the second fiscal year after reorganization becomes effective.
- Annual calculations by the neutral third party shall be conclusive and binding on both districts except for arithmetical errors identified by either district within 30 days of the communication to the districts.
- The payment from MUSD to SMUSD, if any is due under the terms of this Agreement, will be paid no later than June 30th of the second fiscal year after reorganization becomes effective.

The graphic below depicts the first cycle of annual calculations and payments after reorganization becomes effective (i.e., fiscal year 2018-2019, commencing July 1, 2018).

Calculation and Payment Timeline



This pattern of calculating the Delta and the amount of any payment or credit for each fiscal year will continue for the length of time as specified elsewhere in the Agreement. It is understood that that, due to the annual schedule for preparing and reporting the results of school district audits, the decision to use audited financials as the source of data for the Formula means that there will be no payment (or credit) at the beginning of the first or second fiscal year after reorganization becomes effective. As a result, the payment (or booking of a credit) at the end of the second fiscal year after reorganization becomes effective (i.e., June 30, 2020 in the above illustration) will correspond to the Delta for the first fiscal year after reorganization becomes effective (i.e., 2018-19 in the above illustration).

E. Criteria for Renegotiating the Formula or Terms of Payment

1. Before Reorganization Becomes Effective

As noted above, the mechanics of the Formula as well as the Illustrative Projection assume that reorganization becomes effective in fiscal year 2018-2019. If, however, implementation is delayed beyond fiscal year 2020-2021, then the Formula and terms of payment will be revisited and open for renegotiation. The Committee recommends that any renegotiation be conducted within the context of the basic principles outlined in this Agreement.

2. After Reorganization Becomes Effective

- **Provision for significant change in key underlying assumption.** If at any time when the Delta is to be calculated or MUSD is required to make a payment to SMUSD there has been a significant change in any of the key underlying assumptions in the Formula or SSC’s projections, such as the manner in which the State provides funds for TK-12 public schools or the manner in which property is taxed, either district may notify the other district that it wishes to meet and confer regarding the Formula and the terms of payment. If either district gives such a notice, the districts will meet to discuss appropriate changes in the Formula by applying the basic principles utilized by the Committee and any other principles agreed upon by the districts.
- **Provision for unexpected and costly event.** It is possible that a “force majeure” event may occur, such as an earthquake or major fire, that could adversely impact either or both districts and MUSD’s ability to make payments, due to a divergence of funds for

emergency repairs, cleanup, obtaining alternate classroom or administrative facilities, or providing for other needs in order to maintain district operations and stable revenue growth.

If such an event occurs and the Board of MUSD concludes that the financial effect of that event may prevent MUSD from making all or any portion of the next payment to SMUSD required under the Formula, then the following process applies:

- ✓ MUSD shall give written notice of that conclusion to SMUSD within 30 days of the event stating the basis for that conclusion (a "Force Majeure Notice").
- ✓ If MUSD gives a Force Majeure Notice, it shall, within 45 days thereafter provide SMUSD with written notice (the "Payment Notice") of the amount of such payment, if any, that it will be able to make given the need to divert revenue to address emergency needs, including calculations supporting that conclusion.
- ✓ MUSD will, to the extent consistent with good accounting practice, first use reserve funds, amounts in other Funds and amounts available in a timely fashion from governmental, insurance and other sources, to cover the emergency costs before applying funds classified as Unrestricted General Fund revenue.
- ✓ To the extent set forth in the Payment Notice, MUSD's obligation to make the next payment to SMUSD will be deferred for up to one year with the amount deferred being added to the Cumulative Delta. No further deferrals of that payment amount will be permitted.

Term Sheet for Topic #2, Division of the District's Assets

I. The Board's Objective

The Board's objective for negotiations on the division of SMMUSD's assets was to include a method(s) for the allocation of the Fund Balances in SMMUSD's General Fund Accounts and the Capital Facilities Fund ("Fund" or "Funds," as applicable) at the time reorganization becomes effective. The Board directed that the method be fair to both SMUSD and MUSD, considering the sources and uses of revenue in the various funds.

II. The Committee's Approach

The Committee approached Topic #2 by separating the topic into two major categories:

- Develop a method(s) for dividing SMMUSD's ending Fund Balances at the time reorganization becomes effective ("Fund Balances"); and
- Develop a method(s) for dividing SMMUSD's buildings, land, and school buses at the time reorganization becomes effective.

The Committee added three guiding principles for the division of SMMUSD's Fund Balances, studied information about the sources and uses of revenue in each Fund, and reviewed an inventory of SMMUSD's buildings and land. The Committee posed questions to District staff to clarify its understanding of the Funds and most recent balance sheets, and reviewed what State law provides for the division of assets when school districts reorganize. Finally, the Committee developed and evaluated options, and reached unanimous Agreement on terms that align with the Board's objectives and the Committee's guiding principles.

III. Guiding Principles and Definitions

The Committee's methods for dividing SMMUSD's Assets reflect its guiding principles that all terms in the Agreement must: (a) be financially viable for both SMUSD and MUSD; (b) ensure a degree of predictability for both SMUSD and MUSD; (c) enable each school district to be able to plan ahead with a reasonable degree of resource certainty; (d) avoid establishing potential negative incentives for either SMUSD or MUSD to pursue increased revenue or otherwise improve education in their schools; and (e) be clear and understandable, legal, and enforceable.

The methods for dividing SMMUSD's assets also meet three more Topic-specific principles:

- The allocation of Fund Balances between SMUSD and MUSD will be decided by Fund, and will be guided by a method representing a mutually agreed-upon fair and equitable division that considers the sources and uses of revenue in each Fund;
- The negotiated methods of asset division are intended to be applied only once at the time reorganization becomes effective; and
- In a few cases, where the data needed to make a fair and equitable division will not be available until closer to the time reorganization becomes effective, there will be a

recommendation to postpone the final allocation decision until that information becomes available.

IV. Agreements on Methods for Dividing Assets

A. Agreements on Dividing SMMUSD’s Fund Balances

The Committee’s Agreement for dividing each Fund is described below in three categories:

- Fund Balances to be divided using the “ADA Method;”
- Fund Balances to be divided using an alternative method; and
- Fund Balances to be divided based on information available closer to the time that reorganization becomes effective.

1. Fund Balances to be Divided Using the “ADA Method”

For the District Funds where the source of revenue (in relative terms) has essentially mirrored the number of students in Santa Monica and the Malibu community, the division of the Fund Balance when reorganization becomes effective should be based on a calculation of each district’s percentage share of total ADA in both districts. The current Santa Monica/Malibu community ADA ratio is 84%/16%.

To account for changes in ADA counts between now and the time of reorganization, the Committee designed a calculation titled the “ADA Method,” which is the three-year average of ADA in each district. The three years will be the three fiscal years immediately preceding the fiscal year when reorganization becomes effective.

The Funds to be divided using the ADA Method are listed below, along with each Fund’s fiscal year 2015-2016 ending Fund Balance, and the Committee’s comments on why the Agreement designates the ADA Method.

Name of Fund	Unrestricted General Fund (excluding SMMEF money)
2015-2016 Ending Balance:	\$30,244,127

The bulk of the Unrestricted General Fund revenue comes from local property taxes and the State. State funding sources include LCFF revenue (the primary source of State financial support for TK-12 public education), Lottery Fund Revenue, and Mandated Cost Block Grant Revenue. Local revenue deposited into the Unrestricted General Fund includes: parcel taxes; revenue from leases and rentals; revenue from SMMUSD’s contract with the City of Santa Monica; revenue from SMMUSD’s contract with the City of Malibu; and Santa Monica sales tax revenue from Measure Y and the recently adopted Measure GSH.

While the individual Unrestricted General Fund revenue line item categories do not each (by themselves) mirror the Santa Monica/Malibu community ADA ratio, the Committee’s analysis revealed that the total net contributions of revenues generated by each community to the Unrestricted General Fund closely mirror the ADA split. For this reason, plus the fact that it greatly simplifies the calculation required, the Committee agreed that a fair and equitable

division of the Fund Balance in the Unrestricted General Fund should be based on the ADA Method.

As a double-check on the fairness of using the ADA Method for this Fund, the Committee recommends that a similar analysis be repeated directly before reorganization becomes effective to ensure the mathematical finding cited above still holds.

Funds raised by the Santa Monica-Malibu Education Foundation (SMMEF) are also deposited into the Unrestricted General Fund, and the money SMMEF raises each year is for programs in the following fiscal year. The Agreement provides that any SMMEF monies remaining at the time of reorganization be divided between SMUSD and MUSD based on the relative contributions to SMMEF (i.e., calculated as a percent of the total collected) made by each community during the fiscal year immediately before reorganization becomes effective.

Name of Fund **Restricted General Fund**
2015-2016 Ending Balance: \$5,197,573

After also analyzing the degree to which each Restricted General Fund line item category originated in Santa Monica or the Malibu community, the Committee agreed that the Fund Balance in the Restricted General Fund should be divided between SMUSD and MUSD according to the ADA Method. Similarly, the Committee agreed that the source of line item revenue analysis for the Restricted General Fund be repeated directly before reorganization becomes effective to ensure the fairness of using the ADA Method.

Name of Fund **Cafeteria Special Revenue Fund**
2015-2016 Ending Balance: \$195,976

The Cafeteria Special Revenue Fund is for operation of the food service program. The ADA Method is recommended for allocating the Fund Balance at the time of reorganization because food service programs exist in both Santa Monica and Malibu, and students in both jurisdictions have contributed to the Fund.

2. Fund Balances to be Divided Using an Alternative Method

For Funds where the relative source of revenue (i.e., Santa Monica vs. Malibu community) has not mirrored the ADA ratio, or if there is a more equitable way to divide a Fund balance, the Committee designed an alternative method. Provided for each Fund listed below is the Fund Balance from 2015-2016, a description of the agreed-upon allocation method, and any comments from the Committee on this method.

Name of Fund **Adult Education Fund**
2015-2016 Ending Balance: \$659,900

The Adult Education Fund is a Special Revenue Fund. The revenue source for this Fund is the State, which pays school districts a set amount per student participating in Adult Education.

The agreed-upon allocation method is to divide the Fund Balance between SMUSD and MUSD based on the ratio (calculated as a three-year average) of students enrolled from each

community in Adult Education. The three years will be the three fiscal years immediately preceding the fiscal year when reorganization becomes effective.
If MUSD decides not to offer Adult Education, then the entire Fund Balance will be transferred to SMUSD.

Name of Fund **Child Development Fund**
2015-2016 Ending Balance: \$234,491

The Child Development Fund is a Special Revenue Fund. The source of revenue for this Fund is a combination of the State (which pays school districts a set amount per student participating in Child Development programs) and fees paid by the parents of children enrolled in pre-school programs on selected school campuses.

The agreed-upon allocation method is to divide the Fund Balance between SMUSD and MUSD based on the revenue produced by Child Development programs in the fiscal year during which reorganization is approved. Specifically, the ending Fund Balance of revenue produced by Child Development programs located in Santa Monica schools will be allocated to SMUSD, and the ending Fund Balance of revenue produced by Child Development programs located in Malibu schools will be allocated to MUSD.

Name of Fund **Deferred Maintenance Fund**
2015-2016 Ending Balance: \$212,196

The Deferred Maintenance Fund is a Special Revenue Fund that funds routine maintenance needs across all of SMMUSD’s buildings, located in both Santa Monica and Malibu.

The agreed-upon method of allocation is to divide the Fund Balance between SMUSD and MUSD based on the respective percentages of total floor area in SMMUSD buildings located in Santa Monica versus the Malibu community at the time reorganization becomes effective.

Name of Fund **Capital Facilities Fund (developer fees)**
2015-2016 Ending Balance: \$1,236,679

The Capital Facilities Fund is the repository of statutory developer fees paid to SMMUSD. The agreed-upon allocation method will be to divide the Fund Balance between SMUSD and MUSD based on a three-year average of the percentage of payments generated from developments located in Santa Monica versus the Malibu community. The three years will be the three fiscal years immediately preceding the fiscal year when reorganization becomes effective.

Development contributions by location are tracked annually, so the allocation method recommended for this Fund should be relatively easy to implement.

Name of Fund **Special Reserve for Capital Projects Fund**
2015-2016 Ending Balance: \$5,244,209

The Special Reserve for Capital Projects Fund is the repository of the tax increment pass through funding from the former City of Santa Monica Redevelopment Agency (RDA). This fund pays for the annual debt service on the existing Certificates of Participation (COPs) for the 16th

Street District Headquarters building. The annual debt service for principal and interest is \$1.869 million.

\$5.0 million of this Fund is reserved to cover shortfalls occurring in the Measure BB facilities bond program, and the balance is used to fund other capital projects as the District identifies them as a priority. There has been no pattern established for using these funds for capital projects based on project location in the Malibu community or Santa Monica.

The agreed-upon allocation method is to divide the undesignated Fund Balance between SMUSD and MUSD at the time reorganization becomes effective based on the ratio of total Measure ES funds allocated to bond-funded projects in Malibu schools and bond-funded projects in Santa Monica schools. To be specific, the SMUSD/MUSD allocation ratio will be 78%/22%. This is based on an allocation to the Malibu community of (at least) \$77.0 million out of \$350.6 million, which is the amount remaining from the \$385.0 million Measure ES total bond authorization after subtracting \$34.4 million allocated for District-wide technology improvements.

3. Fund Balances to be Divided Based on Information Available Closer to Reorganization

The Committee agreed that the decision on a fair and equitable allocation of the Fund Balances in the following two Funds should be deferred until a time closer to reorganization. The reasons for this are somewhat different for each Fund, as explained below.

Name of Fund	Building Fund
2015-2016 Ending Balance:	\$92,741,212

The Building Fund will contain the end-of-year Fund Balance of SMMUSD bond proceeds in the year prior to when reorganization becomes effective.

A fair and equitable allocation of the Fund Balance in the Building Fund will depend on the status of projects in Santa Monica and the Malibu community at the time reorganization becomes effective. Because this information is so time-dependent, the Agreement is that developing a recommendation for the allocation of the Building Fund be assigned to Group 1, the first of two transition and implementation groups the Committee recommends be appointed. (See Topic #5, Implementation.)

The guiding principles recommended for the eventual Fund Balance allocation is that it should be consistent with the decisions and commitments regarding projects and division of bond proceeds made before reorganization (including that the Malibu community receives \$77.0 million, at minimum, out of Measure ES's total of \$385.0 million), and the status of projects underway at the time of reorganization. The allocation of this Fund must also be made in conjunction with the allocation of authorized but not-yet-issued bonds (see note below).

Note: Since SMUSD will retain the obligation to pay for the completion of the Court-ordered PCBs remediation in Malibu schools, the projected costs for any remaining remediation at the time of reorganization must be included in SMUSD's allocation when calculating the division of bond fund proceeds and authorized but-not-issued bonds. (See Topic #4, Environmental Liability.)

Name of Fund **Retiree Benefit Fund**

2015-2016 Ending Balance: \$5,120,174

The Committee recommends the details of allocating the Fund Balance in the Retiree Benefit Fund also be assigned to Group 1.

The most equitable allocation of the Fund Balance in the Retiree Benefit Fund will need to be based on the most recent actuarial data available at the time reorganization becomes effective, and will be linked to how the liability for providing retiree health benefits is divided between SMUSD and MUSD at that time. The Committee believes that a professional actuary will need to be engaged to make the determination of a fair and equitable split of this Fund.

B. Agreement on Dividing SMMUSD’s Buildings, Land, and School Buses

The Committee considered the allocation of SMMUSD’s buildings, land, and school buses in four categories: (1) schools; (2) school buses and bus yards; (3) land and buildings used for SMMUSD activities that serve students and/or faculty in both the Malibu community and Santa Monica; and (4) land and buildings that are a source of revenue for SMMUSD. The agreed-upon method and related provisions for dividing these assets between SMUSD and MUSD at the time of reorganization are described below.

1. School Buildings and Land

The Committee agreed that school buildings and associated land area should be allocated to the respective district where they are now located.

As a related provision to the allocation of school buildings, the Committee agreed that if MUSD decides not to provide for a continuation high school program in its own facilities, MUSD will be provided assurance that MUSD students who require enrollment in a continuation high school will be able to participate in SMUSD’s continuation high school, which is currently located at Olympic High School in Santa Monica. In such a case, MUSD will pay the cost of transporting MUSD students to the continuation high school program in SMUSD.

2. School Buses and Bus Yards

The Committee agreed that, at the time of reorganization, the school buses used to transport students in Santa Monica will be allocated to SMUSD, and the school buses used to transport students in the Malibu community will be allocated to MUSD. In addition, each district will make its own decision about how to store and maintain its bus fleet.

3. Buildings/Land Used for SMMUSD Activities That Serve Students and/or Faculty in Both Malibu and Santa Monica

The agreed-upon allocation method for the property in this category located in Santa Monica is as follows:

- The District Headquarters building will be allocated to SMUSD, and SMUSD will assume sole responsibility for paying the outstanding debt owed on the Certificates of Participation (COPs) used to fund the purchase of this property. However, should

SMUSD ever elect to sell the District Headquarters, any net cash proceeds (minus the outstanding COPs balance at the time of reorganization) will be divided between SMUSD and MUSD according to the ADA Method calculated at the time reorganization becomes effective.

- The Washington West property will be treated as if it were a school, and therefore will be allocated to SMUSD as the district where it is located.

4. *Buildings/Land That Are a Source of Revenue for SMMUSD*

- The buildings/land that are currently a source of SMMUSD revenue (and located in Santa Monica) will be allocated to SMUSD, i.e., former Madison School site; 9th & Colorado properties; 16th & Colorado property other than the District Headquarters; and the Doubletree Hotel site.
- However, should SMUSD ever elect to sell any of the buildings/land that were a source of revenue for SMMUSD, any net cash proceeds will be split between SMUSD and MUSD according to the ADA method calculated at the time of reorganization.

The Agreement acknowledges that SMUSD will retain sole discretion regarding the leasing, financing, disposition and use of the District Headquarters building and all assets that are currently a source of SMMUSD revenue and will have no obligation to MUSD to maximize or generate any cash proceeds from any disposition thereof or to pay to MUSD any portion of any proceeds received from the leasing or financing thereof.

And finally, the District's land on Malibu Canyon Road will be allocated to MUSD.

Term Sheet for Topic #3, Bond-Related Items and Other Liabilities

I. The Board's Objective

The Board's stated objectives for the Committee were to develop a method(s) that is (are) fair to SMUSD and MUSD to: (a) allocate the District's existing bond debt; (b) address the refinancing of existing debt; (c) allocate authorized but not-yet-issued Measure ES bonding authority; and (d) allocate other District liabilities between SMUSD and MUSD existing at the time of reorganization.

II. The Committee's Approach

The Committee divided Topic #3 into three assignments:

- Develop a method for allocating the amount of outstanding bond indebtedness between SMUSD and MUSD arising from bonds issued by SMMUSD before the date that reorganization becomes effective and provide a method for each district to independently refinance the amount of its share of the indebtedness.
- Develop a method for allocating the amount of authorized but-not-yet-issued Measure ES bonds between SMUSD and MUSD.
- Develop a method for allocating other SMMUSD liabilities between SMUSD and MUSD other than liabilities that might arise due to contamination of SMMUSD buildings. (See Topic #4, Environmental Liability.)

The Committee adopted common definitions and added supplemental guiding principles tailored for the negotiations on bond-related items, studied information available in background and other resource materials about the status of Measure BB and Measure ES bond funds, posed a series of legal questions on bond-related issues to the Procopio law firm retained to advise the Committee on these issues (Appendix B.10), and spent time discussing and evaluating different methods and approaches to addressing the three assignments.

In sum, the Committee's unanimously approved Agreement on these issues (detailed below) aligns with the Board's objectives and the Committee's guiding principles.

III. Guiding Principles and Definitions for Bond-Related Issues

The Committee's Agreements on bond-related issues align with the Committee's guiding principles that all terms in the Agreement must: (a) be financially viable for both SMUSD and MUSD; (b) ensure a degree of predictability for both SMUSD and MUSD; (c) enable each school district to be able to plan ahead with a reasonable degree of resource certainty; (d) avoid establishing potential negative incentives for either SMUSD or MUSD to pursue increased revenue or otherwise improve education in their schools; and (e) be clear and understandable, legal, and enforceable.

The Committee developed the following additional principles specific to its Topic #3 negotiations:

- Post-reorganization, each district (SMUSD and MUSD) should, to the maximum extent possible, be provided sole discretion to make its own decisions regarding refinancing of existing bond debt and the issuance of new bonds; and
- Post-reorganization, any decisions regarding the allocation of authorized but-not-yet-issued bonds should be consistent with decisions and commitments regarding projects and division of bond authority made before reorganization, and place priority and mutual respect on the needs and preferences delineated by SMUSD and MUSD at the time the allocation decisions are made.

Definitions for Terms Used in Topic #3 Negotiations	
ES Funds*	Refers to the facility bond funds made available to SMMUSD as a result of Measure ES, which was approved by the voters in November 2012. Approval of Measure ES authorized the Board to issue bonds backed by assessments on real property in both Santa Monica and the Malibu community in an aggregate amount not to exceed \$385,000,000. At least 20% (\$77,000,000) was to be made available for Malibu schools.
BB Funds*	Refers to the facility bond funds made available to SMMUSD as a result of Measure BB, which was approved by the voters in November 2006. Approval of Measure BB authorized the Board to issue bonds backed by assessments on real property in both Santa Monica and Malibu in an aggregate amount not to exceed \$268,000,000.
* ES and BB Funds can only be used for capital projects and technology.	

IV. Agreement on Allocation

A. Agreement on Bonds Issued by SMMUSD Before Reorganization Becomes Effective

With respect to the Measure BB and Measure ES bonds issued by SMMUSD before reorganization becomes effective, the Committee reached the following agreements:

- SMMUSD’s bond debt should be allocated between SMUSD and MUSD based upon the respective assessed values of real property in Santa Monica and the Malibu community as reflected by the most recent assessment rolls when reorganization becomes effective. This means that Santa Monica property will be assessed for SMUSD’s proportionate share of the bond liability and property within MUSD will be assessed for its share.
- With respect to refinancing this debt post-reorganization, State legislation and related reorganization documents, to the extent that the rights of bond holders are not prejudiced, should provide that SMUSD or MUSD can, without need to coordinate with the other, make decisions regarding refinancing of its portion of the bond liability.

To accomplish the above, Procopio advises that language in State legislation needs to specify that each successor district is treated as the issuing district for purposes of Government Code Section 53580 and related statutes. In addition, the State legislation should specify that each new district is separately responsible for Internal Revenue Service tax compliance and continuing disclosures under Securities and Exchange Commission regulations.

B. Agreement on the Allocation of Authorized But-Not-Yet-Issued Measure ES Bonds

As of this writing, an additional \$295 million remains in bonding authority under Measure ES that has been authorized but not issued.

The Committee agreed that the allocation of this remaining bonding authority should occur at the time reorganization becomes effective because it will depend on the status of projects and plans of SMUSD and MUSD at that time. The Committee's recommended process is to delegate the task of making a final recommendation for allocating this outstanding bonding authority to Group 1, the first of two transition and implementation groups that the Committee recommends be appointed. (See Topic #5, Implementation.)

The Committee agreed that Group 1 should be directed to develop its recommendation for allocating the authorized but-not-yet-issued bonding authority consistent with the following guidelines:

- Allocate the authority consistent with decisions and commitments regarding projects and division of bonding authority made prior to reorganization, including that Malibu receives \$77 million (at minimum) out of ES's total of \$385 million, and mutual respect for the needs and preferences delineated by SMUSD and MUSD at the time of reorganization.
- To be specific, the allocation decision should take into account: (a) the status of current projects in Malibu schools; (b) previous decisions regarding authorized but-not-yet-issued bonds; and (c) the bond fund balance.

Finally, since SMUSD will retain the obligation to pay for the completion of Court-ordered remediation of contamination in Malibu schools, the projected costs for any remaining remediation at the time reorganization becomes effective must be included in SMUSD's allocation when calculating the split of bond fund proceeds and authorized but-not-yet-issued bonds. (See Topic #4, Environmental Liability.)

C. Allocation of District's Other Liabilities

This final section of the Topic #3 Term Sheets provides the Committee's Agreement on three other balance sheet items. All three are liabilities (as opposed to assets), but are not addressed elsewhere in the Committee's Agreement.

1. Certificates of Participation (COPs)

The Certificates of Participation liability on SMMUSD's balance sheet reflects the debt owed on the financing for the District's Headquarters. Consistent with the Committee's recommendation that the District's Headquarters be allocated to SMUSD, that district will assume sole responsibility for paying the outstanding debt owed on the COPs used to fund the purchase of this property.

2. Compensated Absences

Compensated absences are an employer's accrued liability for absences that employees will be paid for, such as vacation and sick leave. The Committee agreed that the liability associated with compensated absences should "move" with the individual teachers and other staff members who have accrued this unused leave. In other words, when reorganization becomes effective, SMUSD should inherit the liability for personnel who are SMUSD employees, and MUSD should inherit the liability for personnel who are MUSD employees.

Because the allocation of this liability depends on decisions that will be made closer to when reorganization becomes effective, the Committee recommends the details of allocating the compensated absences liability between SMUSD and MUSD be assigned to Group 1, the first of two transition and implementation groups the Committee recommends be appointed. (See Topic #5, Implementation.)

3. OPEB (Other Postemployment Benefits)

OPEB is a Government Accounting Standards Board (GASB) term for the outstanding liability for paying benefits (other than pensions) to retired public sector employees.

The Committee agreed that the most equitable allocation of OPEB liability should be based on the most recent actuarial data available at the time of reorganization, and should be linked to how the funds already set aside for providing retiree health benefits are divided between SMUSD and MUSD at the time reorganization becomes effective. Because the allocation of this liability depends on decisions that will be made closer to the time of reorganization, the Committee recommends the details of allocating the OPEB liability between SMUSD and MUSD between SMUSD and MUSD also be assigned to Group 1.

Term Sheet for Topic #4, Environmental Liability

I. The Board's Objectives

The Board's objectives on the issue of environmental liability, as stated in the Board's Action Item of December 17, 2015, were:

- Establish a structure under which MUSD assumes responsibility for any remaining remediation of any contamination in Malibu schools and indemnifies SMUSD for any future claims arising from such remediation work.
- Dismissal of the pending lawsuit against SMMUSD or the creation of an enforceable agreement from the plaintiffs that SMUSD will be dismissed from the lawsuit.
- Receipt by the Board of a legal opinion from a firm selected by the Board with respect to any potential continuing exposure of SMUSD following reorganization and a conclusion by the Board that any such exposure is reasonable.

With respect to the Board's second objective regarding the lawsuit brought by America Unites for Kids against SMMUSD, the Committee's understanding is that the September 1, 2016 ruling by Judge Anderson on this lawsuit (the "Court Order") essentially eliminated the Committee's need to address this objective. (See Appendix B.28 for a copy of the Court Order.)

While the Court Order is on appeal, the Committee understands that the issues on appeal are limited to (a) whether attorneys' fees should be awarded to the plaintiff and (b) whether the injunction imposed in the Court Order on certain private parties should be reversed. The portion of the Court Order regarding the obligations of SMMUSD to complete remediation work has not been appealed.

The Committee expressed no opinion with respect to any legal opinion the Board may wish to obtain in accordance with the final objective.

A. The Committee's Approach

The Committee approached the first objective by dividing the assignment into two categories: remediation of contamination required under the Court Order; and any other environmental contamination, whether or not known at the time reorganization becomes effective.

The Committee studied information in background and other resource materials that addressed issues of environmental liability specific to a possible reorganization of the District, posed legal questions to the Procopio law firm, and spent time discussing and evaluating different methods and approaches to addressing the Board's objectives.

The Committee's Agreement on environmental liability issues aligns with the Board's objectives and the Committee's guiding principles. The details are explained below. See Appendix B.11 for the legal advice provided by Procopio to the Committee on environmental liability issues.

B. Major Negotiated Terms

1. Agreement on Remediation Obligations of SMMUSD Under the Court Order

SMMUSD's obligations to complete remediation of PCBs (polychlorinated biphenyl) in Malibu school buildings, to the extent required by the Court Order is included in SMMUSD's building replacement and renovation program and is scheduled to be completed by December 31, 2019. The Committee agreed that this ongoing remediation program, including the use of ES Measure bond funds to pay for it, would not be affected by reorganization.

The Committee agreed that if any part of this remediation program has not been completed by the effective date of reorganization, SMUSD would be obligated to complete it under the terms of the Court Order, with the terms of project management and completion being subject to negotiation by Group 2, the second of two transition/implementation groups the Committee recommends be appointed. (See Topic #5, Implementation.) p

2. Agreement on the Obligation to Remediate Contamination Beyond that Covered by the Court Order

The Committee agreed that after reorganization becomes effective:

- SMUSD will have no obligation to conduct, be responsible for or be liable for any inspection, remediation or contamination of any land or building in MUSD beyond that mandated in the Court Order;
- SMUSD will be responsible for any remediation obligation arising from contamination in any land or building located in Santa Monica which is owned by SMUSD and in charge of, and responsible for, developing, approving, funding and implementing any required remediation plan arising from such contamination;
- Except to the extent of the obligations imposed on SMMUSD by the Court Order which have not been satisfied, MUSD will be responsible for any remediation obligation arising from contamination in any land or building owned by MUSD and in charge of, and responsible for, developing approving, funding and implementing any required remediation plan arising from such contamination;
- Except to the extent arising out of the performance by SMMUSD of the obligations imposed on SMMUSD by the Court Order, MUSD will indemnify SMUSD for, and defend SMUSD against, any liability, cost or claim (other than liability, cost or claim for personal injury) arising from any contamination in any land or building owned by MUSD or the performance of, or failure to perform, any remediation work associated with such contamination;
- SMUSD will indemnify MUSD for, and defend MUSD against, any liability, cost or claim (other than liability, cost or claim for personal injury) arising from any contamination in any land or building owned by SMUSD or the performance of, or failure to perform, any remediation work associated with such contamination;

- MUSD will indemnify SMUSD for, and defend SMUSD against, any liability, cost or claim for personal injury arising from any contamination in any land or building owned by MUSD whenever such liability, cost or claim is brought by an individual whose first exposure to such contamination occurred following the effective date of reorganization;
- SMUSD will indemnify MUSD for, and defend MUSD against, any liability, cost or claim for personal injury arising from any contamination in any land or building owned by SMUSD whenever such liability, cost or claim is brought by an individual whose first exposure to such contamination occurred following the effective date of reorganization; and
- Each of SMUSD and MUSD will reserve all rights against the other in connection with any liability, cost or claim for personal injury arising from contamination in any land or building owned by SMMUSD whenever such liability, cost or claim is brought by an individual whose first exposure to such contamination occurred prior to the effective date of reorganization.

Term Sheet for Topic #5, Implementation

I. Introduction

In its action creating the Committee, the Board outlined the process that will occur directly after the Committee submits its report to the Board. (See Memorandum Report, page 8.) With respect to the implementation of District reorganization, there are several different avenues available. In sum, these avenues are a petition procedure outlined in the State Education Code, State legislation, or some combination of the two.

As stated in the Report, the Committee recommends that the Board consider supporting processing the reorganization matter entirely through State legislation, rather than the petition procedure outlined in the State Education Code or some combination of State legislation and the Education Code procedure. The Committee believes that State legislation would be the best approach for ensuring a comprehensive and legally enforceable result.

The Committee arrived at this recommendation after considering (a) the complexities and inter-relationships of the financial topics addressed by the Committee, and (b) advice of the Committee's legal and education finance consultants that some aspects of dividing the District's finances could only be accomplished via State legislation.

Negotiations on the details of the implementation process were beyond the scope of the Board's objectives for the Committee. However, the Committee agreed it was important to offer a recommendation on how to resolve the financial items identified in the report that, due to various reasons, cannot be finalized until the actual time reorganization becomes effective or in the period post-reorganization.

For this purpose, the Committee recommends the appointment of two groups.

A. Group One

The SMMUSD Board should appoint Group One to work on the things that need to happen between the time the Board approves moving forward with reorganization and the time that reorganization becomes effective. The Committee recommends that Group One consist of senior officials and domain experts from both Santa Monica and Malibu who can collaborate to meet the interests of the future SMUSD and MUSD, consistent with the Guiding Principles behind the Agreement outlined in this Report.

Candidate tasks for Group One are:

- Monitoring of any State legislation being drafted after the Board resolves to support and implement reorganization consistent with the Committee's Agreement.
- Making final recommendations about the division of the Fund Balances in the Funds where the allocation method depends on the status of capital projects and expenditures at the time reorganization is scheduled to become effective. (This must be done in conjunction with the next task.)

- Making final recommendations about the apportionment of bonding authority for authorized but-not-yet-issued Measure ES Bonds based on the allocation of Fund Balances as described in the bullet above, as well as the funding necessary for SMUSD to complete the required remediation of Malibu schools.
- With the assistance of a professional actuary, making final recommendations regarding the allocation of the Fund Balance in the Retiree Benefit Fund, and liabilities associated with Compensated Absences and Other Post-Employment Benefits.

B. Group Two

After reorganization becomes effective, the respective Boards of Education of SMUSD and MUSD should appoint Group Two to work on the logistics and any outstanding issues that need to be resolved to ensure a smooth transition. The Committee recommends that Group Two include the Superintendents and Chief Financial Officers from SMUSD and MUSD, as well as Board Member representation from each district.

Candidate tasks for Group Two are:

- Determining the process for SMUSD and MUSD to jointly select a neutral third party to perform the annual Delta calculations, negotiate reasonable and appropriate fees for this work, and evenly split the costs.
- Monitoring negotiations between SMUSD and MUSD for project management and completion of the Court-ordered remediation of environmental contamination in MUSD schools.

APPENDIX D
Illustrative Revenue Neutrality Formula Projection

FISCAL YEAR	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
1 SMMUSD ADA	10,462	10,462	10,462	10,462	10,462	10,462	10,462	10,462	10,462	10,462
2 SMUSD ADA	8,715	8,715	8,715	8,715	8,715	8,715	8,715	8,715	8,715	8,715
3 MUSD ADA (For Information Only)	1,747	1,747	1,747	1,747	1,747	1,747	1,747	1,747	1,747	1,747
4 SMMUSD Revenue (Theoretical)	\$134,996,705	\$139,670,720	\$144,679,933	\$149,990,648	\$155,445,435	\$161,138,521	\$167,080,899	\$173,284,090	\$179,900,659	\$186,662,251
5 SMMUSD Rev per ADA (Theoretical)	\$12,904	\$13,350	\$13,829	\$14,337	\$14,858	\$15,402	\$15,970	\$16,563	\$17,196	\$17,842
6 SMUSD Revenue before Payments	\$112,610,966	\$117,730,454	\$121,468,058	\$124,470,259	\$127,663,840	\$130,517,084	\$133,868,096	\$136,875,354	\$140,778,632	\$146,094,552
7 SMUSD Rev per ADA before Payments	\$12,922	\$13,509	\$13,938	\$14,282	\$14,649	\$14,976	\$15,361	\$15,706	\$16,154	\$16,764
8 Delta per ADA	\$18	\$159	\$109	(\$54)	(\$209)	(\$426)	(\$610)	(\$857)	(\$1,042)	(\$1,078)
9 <i>Delta</i>	\$156,724	\$1,382,688	\$947,544	(\$474,159)	(\$1,824,496)	(\$3,713,676)	(\$5,312,752)	(\$7,472,844)	(\$9,081,265)	(\$9,397,851)
10 MUSD Revenue before Payments	\$29,329,594	\$30,416,809	\$31,552,342	\$32,734,109	\$33,964,018	\$35,244,062	\$36,576,315	\$37,962,938	\$39,406,183	\$40,908,395
11 Malibu COLA allowance assumption				2.67%	2.67%	2.67%	2.67%	2.67%	2.67%	2.67%
12 Payment from MUSD to SMUSD	\$0	\$0	\$0	\$0	\$0	\$1,096,297	\$1,586,327	\$2,342,762	\$2,699,783	\$2,964,970
13 Payment Per SMUSD ADA	\$0	\$0	\$0	\$0	\$0	\$126	\$182	\$269	\$310	\$340
14 Interest Accrued in Period	\$0	\$0	\$0	\$0	\$0	\$0	(\$24,291)	(\$61,798)	(\$113,717)	(\$178,669)
15 <i>Cumulative Delta</i>	\$156,724	\$1,539,412	\$2,486,956	\$2,012,797	\$188,302	(\$2,429,078)	(\$6,179,794)	(\$11,371,674)	(\$17,866,873)	(\$24,478,423)
16 MUSD Revenue less Payment	\$29,329,594	\$30,416,809	\$31,552,342	\$32,734,109	\$33,964,018	\$34,147,765	\$34,989,988	\$35,620,176	\$36,706,400	\$37,943,425
17 SMUSD Revenue plus Payment	\$112,610,966	\$117,730,454	\$121,468,058	\$124,470,259	\$127,663,840	\$131,613,380	\$135,454,423	\$139,218,115	\$143,478,415	\$149,059,521
18 SMUSD Revenue per ADA	\$12,922	\$13,509	\$13,938	\$14,282	\$14,649	\$15,102	\$15,543	\$15,975	\$16,463	\$17,104

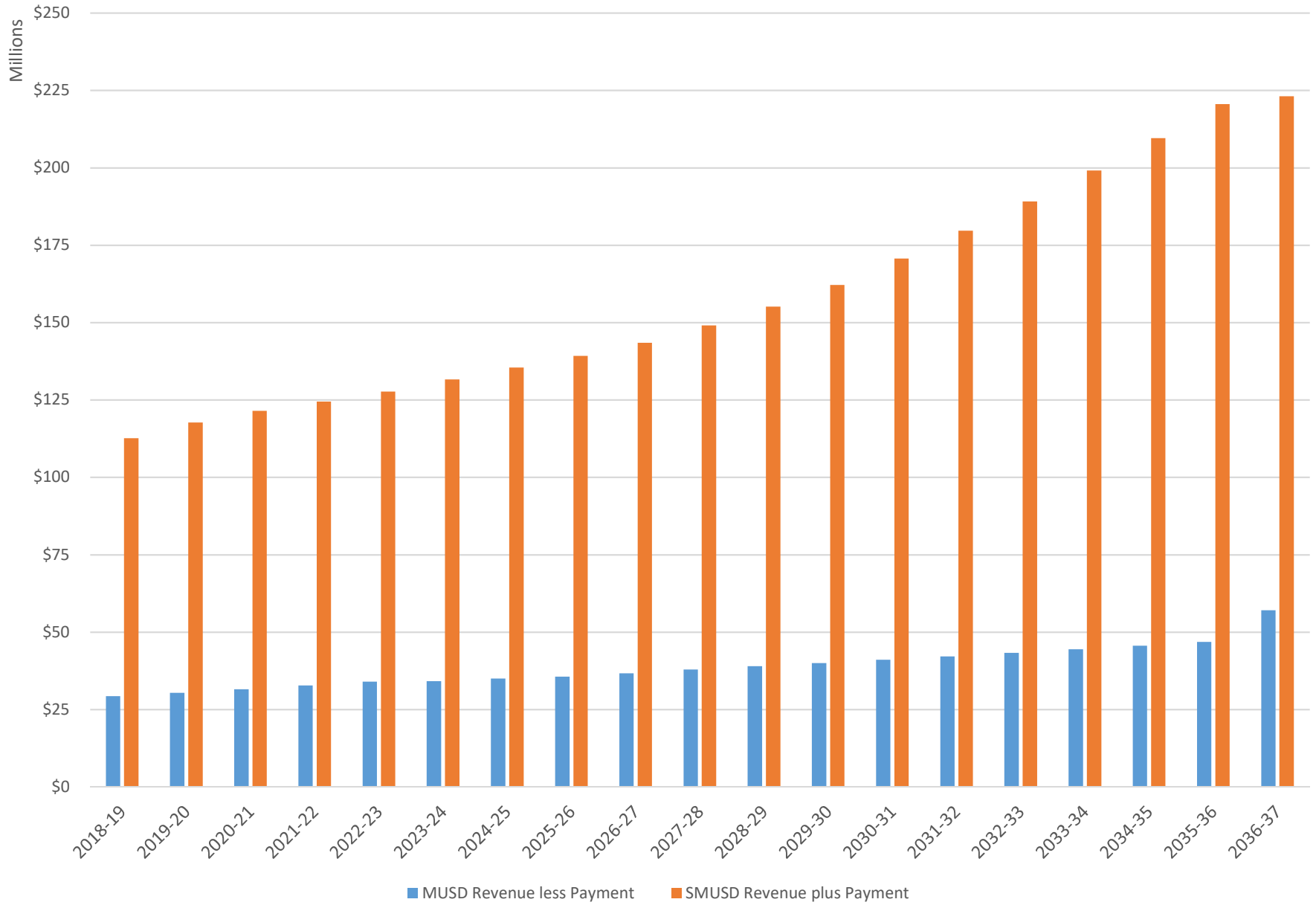
Assumptions:

- All Revenue and ADA assumptions are from the revised (Dec. 2016) SSC report baseline case with the following adjustments:
 - Includes Measure GSH revenues
 - Updated ground lease revenues provided by SMMUSD Administration
 - Property Tax revenue adjusted to account for small rounding differences
 - Malibu Revenue assumes Malibu community voters pass a Parcel Tax measure in place of and equal to the current Parcel Tax per parcel amount
- Malibu COLA, MUSD ADA, and SMUSD ADA remain unchanged from the SSC baseline case assumptions beyond 2029-30
- Interest paid by MUSD on the Cumulative Delta balance is assumed at the current LA County investment pool rate of 1.0%

APPENDIX D
Illustrative Revenue Neutrality Formula Projection

FISCAL YEAR	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	Total
1 SMMUSD ADA	10,462	10,462								
2 SMUSD ADA	8,715	8,715								
3 MUSD ADA (For Information Only)	1,747	1,747								
4 SMMUSD Revenue (Theoretical)	\$193,722,605	\$201,858,954								
5 SMMUSD Rev per ADA (Theoretical)	\$18,517	\$19,294								
6 SMUSD Revenue before Payments	\$151,652,690	\$158,022,103								
7 SMUSD Rev per ADA before Payments	\$17,401	\$18,132								
8 Delta per ADA	(\$1,115)	(\$1,162)								
9 <i>Delta</i>	(\$9,721,092)	(\$10,129,377)								(\$54,640,556)
10 MUSD Revenue before Payments	\$42,472,018	\$44,085,955	\$45,761,221	\$47,500,147	\$49,305,153	\$51,178,749	\$53,123,541	\$55,142,236	\$57,237,641	
11 Malibu COLA allowance assumption	2.67%	2.67%	2.67%	2.67%	2.67%	2.67%	2.67%	2.67%	2.67%	
12 Payment from MUSD to SMUSD	\$3,515,503	\$4,089,301	\$4,696,657	\$5,339,159	\$6,018,466	\$6,736,308	\$7,494,487	\$8,294,886	\$143,903	\$57,018,807
13 Payment Per SMUSD ADA	\$403	\$469	\$539	\$613	\$691	\$773	\$860	\$952	\$17	
14 Interest Accrued in Period	(\$244,784)	(\$309,288)	(\$372,782)	(\$329,543)	(\$279,447)	(\$222,056)	(\$156,914)	(\$83,538)	(\$1,425)	(\$2,378,251)
15 <i>Cumulative Delta</i>	(\$30,928,795)	(\$37,278,160)	(\$32,954,285)	(\$27,944,669)	(\$22,205,649)	(\$15,691,398)	(\$8,353,825)	(\$142,478)	\$0	
16 MUSD Revenue less Payment	\$38,956,515	\$39,996,654	\$41,064,564	\$42,160,988	\$43,286,687	\$44,442,441	\$45,629,054	\$46,847,350	\$57,093,738	
17 SMUSD Revenue plus Payment	\$155,168,193	\$162,111,403	\$170,683,073	\$179,691,292	\$189,157,947	\$199,106,019	\$209,559,632	\$220,544,115	\$223,090,494	
18 SMUSD Revenue per ADA	\$17,805	\$18,601	\$19,585	\$20,619	\$21,705	\$22,846	\$24,046	\$25,306	\$25,598	

SMUSD & MUSD Revenues after Payments



APPENDIX B: B.6

<http://www.smmusd.org/superintendent/MalibuUnification/index.html#meetings>

APPENDIX B.7

<https://www.youtube.com/watch?v=E5oUtnYqIzw&feature=youtu.be>

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification
Negotiating Committee

August 1, 2016

Prepared By:

Robert D. Miyashiro
Vice President

Michael Ricketts
Associate Vice President

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Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

August 1, 2016

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Introduction

The Santa Monica-Malibu Unified School District (the District) and Advocates for Malibu Public Schools (AMPS) has contracted with School Services of California, Inc., (SSC) to provide the Board of Education's Malibu Unification Negotiating Committee (Committee) with independent and impartial consulting services to assist in the development of a formula to address fiscal disparities that may arise from the reorganization of the District into two unified school districts.

Over the past five years the District has analyzed the impact of reorganizing into two separate districts: the Santa Monica Unified School District (SMUSD) and the Malibu Unified School District (MUSD). Through the course of that review and analysis, projections suggest that SMUSD may experience a decline in revenues when compared to the current configuration.

To assist the Committee, SSC has prepared an independent forecast of the financial effects that may result from a reorganization of the District into two independent unified school districts, SMUSD and MUSD. The forecast covers a 14-year period from 2015-16 through 2028-29 for the District, and 12-year periods from 2017-18—the first full year of a reorganization—through 2028-29 for SMUSD and MUSD.

Summary

The effect on revenues of the potential reorganization of the District into two separate school districts, one centered in Santa Monica and one in Malibu, requires a comparison of the funding for the two proposed new districts relative to funding for the District over time. This report forecasts the relative change in revenues under different conditions, and assesses the impact of those conditions on each school district and on state costs for the Local Control Funding Formula (LCFF). We have projected the LCFF for each new district configuration over a 12-year period, from 2017-18 through 2028-29, and for the District beginning with 2015-16.

We have established a baseline forecast using change in property tax revenues for each district configuration based on recent changes in assessed value. To allow for comparative consistency with past work, we maintain some of the same factors used in previous reorganization feasibility studies. We have used the same proportional allocation of property tax revenue between SMUSD (66.4%) and MUSD (33.6%). We also maintained the same proportional distribution of average daily attendance (ADA) at 84.3% for SMUSD and 16.7% for MUSD, as well as the division of students eligible for LCFF supplemental grants. We did, however, also determine the division of enrolled students using 2015-16 enrollment data among the schools that would be served by SMUSD and MUSD and found that the percentage of students in MUSD schools is higher than in prior years. For this reason, we have also used that higher proportion of students to assess the sensitivity of MUSD's revenues to enrollment growth.

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Our forecast provides insights about the effects on the three different district configurations of property tax growth, distribution of other revenue sources, and the rules governing the calculation of LCFF funding. Because of relatively high local property tax revenues received by the District and the interaction of property tax revenues with the LCFF calculation, the District and the proposed reorganization are particularly sensitive to changes in local revenues. While we believe that our forecast is reasonable and analytically supportable, other assumptions that also could be reasonably made will yield different results.

This a forecast. The numbers shown are exactly what our forecasting model produces, but the numbers our forecasting model produces are not exact. Different assumptions and different starting conditions, even if slight, will result in different numbers. Therefore, it is important to bear in mind that the value of the forecast is not in the exactness of the numbers and differences that are calculated, but instead in the trends and relationships the model illuminates.

Forecast Summary

The Santa Monica-Malibu Unified School District

The District currently flirts with allocations of LCFF state aid that are at the minimum level required by law. While local property tax revenue that offsets state aid does not exceed the District's LCFF entitlement—if it did, the District would be a basic aid school district—local taxes are in some years sufficient to assure that the District's actual allocation of state aid would be higher than the District's calculated LCFF entitlement to state aid. We expect that this will continue in future years, with the District receiving additional revenues above the District's LCFF calculated entitlement through the minimum state aid provision (a “minimum state aid” district). Under our baseline forecast we foresee the District being in a minimum state aid status beginning in 2017-18.

Largely driven by growth in local revenues, the District as it is currently configured will almost certainly become a “basic aid” school district in the future. A basic aid school district is a state-centric term for school districts largely funded from local property tax revenues. Basic aid school districts must receive the constitutionally required minimum amount of state aid, called basic state aid, irrespective of how much revenue is received from local taxes. We anticipate that the District will become a basic state aid school district in 2023-24.

Basic aid school districts are more accurately known as community-funded school districts, and we will use both terms synonymously in this report.

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The Santa Monica Unified School District

SMUSD would retain more than 80% of the students but generates only about two-thirds of the property tax revenue that currently accrues to the District. With decreased revenues per ADA from local property taxes, SMUSD becomes a state aid school district in the near term. A state aid school district, as used in this report, is a district that will through its calculated LCFF entitlement receive more state aid than the LCFF minimum state aid required by law.

When compared with the District, which during the forecast period is either in minimum state aid status or basic aid status, SMUSD would experience a loss in per-pupil revenues from the LCFF during the four-year period 2017-18 through 2020-21 of from \$141 to \$391 under our baseline forecast assumptions. Offsetting this reduction are per pupil gains from other revenue sources that will be retained in whole or in part by SMUSD. The net impact of the reorganization during the first four years is relatively minor, varying from a slight gain per ADA in some years to a loss in others, with the highest loss in net revenues being \$130 per ADA in one year.

The longer term forecast from 2021-22 through 2028-29 shows SMUSD experiencing a growing gap in net revenues when compared with revenues for the District, with that gap growing from approximately \$200 per ADA in 2021-22 to more than \$1,300 per ADA in 2028-29 – a relative loss of \$1.8 million growing to more than \$11 million in total revenue annually.

Over that period, SMUSD also is projected to move from state aid status to minimum state aid in 2026-27, and, if the same trends continue, would become a basic aid school district at some point in the following decade.

The Malibu Unified School District

MUSD will begin life as a basic state aid school district, largely funded through local property tax revenues. With less than 20% of the students but one-third of the property tax base of the existing district, MUSD property taxes will exceed the MUSD calculated LCFF entitlement in each year of our forecast.

Over the 2017-18 through 2020-21 period, MUSD would see an increase in LCFF per-pupil funding when compared with the District of \$5,046 to \$6,342 per ADA. These increases are partially offset by losses in per-pupil funding resulting from retention by SMUSD of many of the other local revenue sources, such as the city of Santa Monica sales tax Proposition Y funds and the Santa Monica joint use revenues. Absent a new Malibu voter-approved parcel tax to continue the existing parcel tax revenue from Measure R, MUSD will lose more than \$1,000 per ADA in other local revenue. With these offsetting reductions, the net gain for MUSD is estimated at \$2,541 to \$2,954 over the four-year period.

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The longer term forecast shows MUSD continuing as a basic aid school district, with net revenues above current funding levels growing from \$3,094 per ADA in 2021-22 to \$4,225 per ADA in 2028-29, a gain of \$5.4 million to \$7.4 million.

The revenues of community-funded school districts like MUSD that rely primarily on local property tax revenue for their unrestricted resources are insensitive to changes in enrollment, in contrast to state aid school districts that receive additional funding for each new student enrolled. Since MUSD revenues in any given year are fixed by the level of property taxes collected, an increase of enrollments for MUSD results in a decrease in average funding per pupil, making MUSD gains particularly sensitive to changes of enrollment.

We modeled the impact of a 16% increase of enrollment on MUSD funding per pupil. Over the initial four-year period of our forecast, this percentage enrollment increase would cut the per-ADA gain for MUSD by more than 50%, to a net gain from \$1,174 to \$1,358 per ADA.

State Costs

Our baseline forecast shows net state costs resulting from the establishment of an SMUSD and MUSD ranging from \$7 million to \$9 million annually during the first four years of a reorganization, beginning in 2017-18. The increase in state costs is due to additional state aid that is needed for the LCFF in SMUSD as result of the loss of Malibu property tax revenues. However, net state costs fall annually thereafter, and are eliminated by 2026-27 under our baseline forecast as local property tax growth moves SMUSD toward minimum state aid and then basic state aid status in the future, and in the process reduces state LCFF expense.

Alternative Scenarios

We assessed the effect on our baseline forecast of assuming both higher and lower average annual growth in property tax revenues, using a 6% annual increase in property tax revenues for the more optimistic forecast, and 3% annual growth to reflect a very conservative forecast.

Optimistic Property Tax Growth Scenario—6%

A 6% growth factor for property tax revenues, higher than our average baseline forecast growth of 4.78%, increases funding for MUSD, increases the annual gap in funding for SMUSD when compared with the District, and increases funding for the District above its calculated LCFF entitlement, moving the District to basic state aid status more quickly. SMUSD also reaches basic state aid status sooner, and state costs are reduced and ultimately eliminated at a faster rate.

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Conservative Property Tax Growth Scenario—3%

As expected, slower property tax growth has consequences that are the reverse of faster growth. We used 3% as our “slow growth” factor, and it causes the District to remain a state aid district for much of the forecast period, moving to minimum state aid only in the final years. SMUSD does not become a basic aid school district during the forecast period under a slow property tax growth scenario, and relative to the District’s now lower growth rate, actually experiences an increase in per-pupil funding due to the retention of other local revenues within the District. MUSD remains a basic state aid district, even under a slow property tax growth scenario, but because lower growth significantly reduces property tax revenues in excess of MUSD’s calculated LCFF entitlement then MUSD’s gain from a reorganization would be less.

The Revenue Forecast

We divided our estimation of the financial impact of reorganizing the District into two parts. We first looked at the immediate future, from the first year a reorganization would be effective, which we set at 2017-18, through the planned full implementation of the LCFF in 2020-21. We used the most current published factors that affect LCFF implementation, outlined in detail in the LCFF Factors and Assumptions section of this report, and recent information about other local revenues to forecast changes in the LCFF and other revenue sources during this four-year period.

We also extended our forecast for eight more years, through 2028-29. Beginning with 2021-22, the first year after the assumed full implementation of the LCFF, the LCFF entitlement for every school district will be based on target grant amounts that change annually only by a statutory inflation adjustment. For that eight-year period we simplified the analysis by maintaining the same annual cost-of-living adjustment (COLA) percentage and percentage increase in local property tax revenues, the two key drivers of calculated state aid under the LCFF.

Our baseline forecast sets the annual increase to LCFF grants during this period at 2.67% for the three district configurations. The annual increase to property tax revenue for the District is 4.78%; for SMUSD it is 5.04%; and for MUSD it is 4.22%. We explain the assumptions and factors used in our baseline forecast of the LCFF and other revenue sources in sections of the report following our report of findings.

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Findings, 2017-18 through 2020-21

The following three tables display our estimates of LCFF and other local revenues for each of the years 2017-18 through 2020-21 for the District, SMUSD and MUSD.

The tables display the following information from our forecasting model for each of the school district configurations:

- ADA for each year, which is held constant during the forecast period¹.
- LCFF state aid, the amount of state funding that the LCFF would provide in each year
- the amount of minimum state aid, if any
- The Education Protection Account (EPA) funding in 2017-18 and 2018-19, after which it expires
- Property tax revenue and RDA funds

The total of these five revenue source is shown in “Subtotal, LCFF Revenues”—the total LCFF entitlement, which is the amount of funding each district would receive through the LCFF.

- “LCFF Calculated Funding” is the amount that the LCFF calculation determines a school district should receive before EPA and local revenues are applied and before minimum state aid is determined
- The “Amount Above Calculated Funding” is the difference between the LCFF Calculated Funding and LCFF Revenue—the amount received by a district over and above its LCFF its calculated LCFF entitlement

For a school district that is state aid funded the Amount Above Calculated Funding will be zero. It is a positive amount when a school district is minimum state aid or basic state aid.

The remaining rows in each of the first three tables display five sources of other local revenues received by the District, or as forecast to be distributed among SMUSD and MUSD. The effect of a reorganization on these revenue sources, along with the distribution of LCFF funding, is the focus of this analysis and are taken into account when determining the net impact on revenues that results from a reorganization. A more detailed description of each of the other revenue sources can be found in the section on Other Local Revenues.

¹ We do, however, vary the distribution of ADA among the district configurations to assess the impact of ADA change on funding, specifically for MUSD as a basic aid school district.

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The following tables show the forecast in total dollars and per ADA.

The Santa Monica-Malibu Unified School District

Under our forecast assumptions, Table 1 shows that LCFF funding for the District during the period is based on minimum state aid, which provides an amount above the LCFF calculated funding level. The amount above calculated funding varies across the four-year implementation period between \$1.5 million and \$4.1 million.

Table 1 Santa Monica-Malibu USD Revenues by Source Fiscal Years 2017-18 through 2020-21								
	2017-18		2018-19		2019-20		2020-21	
	Amount	Per ADA	Amount	Per ADA	Amount	Per ADA	2020-21	Per ADA
Average Daily Attendance (ADA)	10,462		10,462		10,462		10,462	
LCFF State Aid	\$7,077,580	\$677	\$4,494,943	\$430	\$5,905,997	\$565	\$5,238,154	\$501
Minimum State Aid	\$1,508,263	\$144	\$4,090,900	\$391	\$2,679,846	\$256	\$3,347,689	\$320
Education Protection Account (EPA)	\$2,092,400	\$200	\$2,092,400	\$200	-		-	
Property Tax*	\$68,664,238	\$6,563	\$71,946,389	\$6,877	\$75,385,426	\$7,206	\$78,988,849	\$7,550
Redevelopment Agency (RDA) Distributions	\$10,928,942	\$1,045	\$11,377,921	\$1,088	\$11,710,654	\$1,119	\$12,270,424	\$1,173
Subtotal, LCFF Revenue	\$90,271,423	\$8,629	\$94,002,553	\$8,985	\$95,681,923	\$9,146	\$99,845,116	\$9,544
LCFF Calculated Funding	\$88,763,160	\$8,484	\$89,911,653	\$8,594	\$93,002,077	\$8,890	\$96,497,427	\$9,224
Amount Above Calculated Funding	\$1,508,263	\$144	\$4,090,900	\$391	\$2,679,846	\$256	\$3,347,689	\$320
% Above	1.70%		4.55%		2.88%		3.47%	
Santa Monica-Malibu Education Foundation (SMMEF)	\$2,500,000	\$239	\$2,500,000	\$239	\$2,500,000	\$239	\$2,550,000	\$244
Parcel Tax - Measure "R"	\$11,795,497	\$1,127	\$12,089,205	\$1,156	\$12,374,510	\$1,183	\$12,666,548	\$1,211
Measure "YY"	\$8,200,000	\$784	\$8,400,000	\$803	\$8,600,000	\$822	\$8,772,000	\$838
City of Santa Monica	\$9,000,000	\$860	\$9,200,000	\$879	\$9,400,000	\$898	\$9,588,000	\$916
City of Malibu	\$200,000	\$19	\$200,000	\$19	\$200,000	\$19	\$204,000	\$19
TOTAL REVENUES	\$121,966,920	\$11,658	\$126,391,758	\$12,081	\$128,756,433	\$12,307	\$133,625,664	\$12,772

*Assumes annual property tax growth of 4.78%
Assumes LCFF growth of 2.67% annually beginning in 2019-20
Assumes 2017-18 as the earliest first year of reorganization

The District also is estimated to receive \$32 million or more from other local revenues in each year of this four-year forecast period, providing a significant increase in discretionary revenues for the District from sources other than the LCFF.

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The Santa Monica Unified School District

Table 2 shows estimated revenues for SMUSD, which would be a solidly state aid school district with local property taxes falling short of the LCFF entitlement by about \$28 million annually. SMUSD retains all of the school distributions from the former Santa Monica redevelopment agency, but the retention of RDA distributions simply offsets state aid for the district. The estimated LCFF state aid, averaging about \$15 million in each year of the four-year forecast period, significantly exceeds the estimated minimum state aid for SMUSD of \$7,152,007.

Table 2 Santa Monica USD Revenues by Source Fiscal Years 2017-18 through 2020-21								
	2017-18		2018-19		2019-20		2020-21	
	Amount	Per ADA	Amount	Per ADA	Amount	Per ADA	2020-21	Per ADA
ADA	8,715		8,715		8,715		8,715	
LCFF State Aid	\$15,891,329	\$1,823	\$14,095,862	\$1,617	\$15,628,550	\$1,793	\$15,462,027	\$1,774
Minimum State Aid	-		-		-		-	
Education Protection Account	\$1,742,968	\$200	\$1,742,968	\$200	-		-	
Property Tax*	\$45,819,602	\$5,258	\$48,128,910	\$5,523	\$50,554,607	\$5,801	\$53,102,559	\$6,093
RDA Distributions	\$10,928,942	\$1,254	\$11,377,921	\$1,306	\$11,710,654	\$1,344	\$12,300,871	\$1,411
Subtotal, LCFF Revenue	\$74,382,842	\$8,535	\$75,345,661	\$8,646	\$77,893,812	\$8,938	\$80,865,457	\$9,279
LCFF Calculated Funding	\$74,382,842	\$8,535	\$75,345,661	\$8,646	\$77,893,812	\$8,938	\$80,865,457	\$9,279
Amount Above Calculated Funding	-		-		-		-	
% Above	-		-		-		-	
SMMEF	\$2,500,000	\$287	\$2,500,000	\$287	\$2,500,000	\$287	\$2,550,000	\$293
Parcel Tax - Measure "R"	\$8,492,758	\$975	\$8,704,228	\$999	\$8,909,648	\$1,022	\$9,119,916	\$1,046
Measure "YY"	\$8,200,000	\$941	\$8,400,000	\$964	\$8,600,000	\$987	\$8,772,000	\$1,007
City of Santa Monica	\$9,000,000	\$1,033	\$9,200,000	\$1,056	\$9,400,000	\$1,079	\$9,588,000	\$1,100
TOTAL REVENUES	\$102,575,600	\$11,770	\$104,149,889	\$11,951	\$107,303,460	\$12,313	\$110,895,373	\$12,725

*Assumes annual property tax growth of 5.04%
Assumes LCFF growth of 2.67% annually beginning in 2019-20
Assumes 2017-18 as the earliest first year of reorganization

The table above also shows the allocation of other local revenues to SMUSD, which gains the majority of continued funding from the sales tax increment, the parcel tax, the joint use revenues, and the education foundation. Other local revenue provides over \$3,000 per ADA for the SMUSD over and above the LCFF calculated funding of the district.

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The Malibu Unified School District

Table 3 displays revenue estimates for MUSD. MUSD would have high property tax revenues relative to its calculated LCFF entitlement, and so becomes a community-funded, or basic aid, school district. All of the district's LCFF state aid comes from the minimum state aid component of the formula, accounting for about \$1.4 million annually in state funding. When combined with property tax allocations, LCFF revenues provide more than \$14 thousand per ADA, compared with calculated LCFF funding of \$8 thousand to \$9 thousand per ADA for the district.

Table 3 Malibu USD Revenues by Source Fiscal Years 2017-18 through 2020-21								
	2017-18		2018-19		2019-20		2020-21	
	Amount	Per ADA	Amount	Per ADA	Amount	Per ADA	2020-21	Per ADA
ADA	1,747		1,747		1,747		1,747	
LCFF State Aid	-		-		-		-	
Minimum State Aid	\$1,433,836	\$821	\$1,433,836	\$821	\$1,433,836	\$821	\$1,433,836	\$821
Education Protection Account	\$349,432	\$200	\$349,432	\$200	-	-	-	-
Property Tax*	\$22,825,234	\$13,064	\$23,788,459	\$13,616	\$24,792,332	\$14,190	\$25,838,568	\$14,789
RDA Distributions	-		-		-		-	
Subtotal, LCFF Revenue	\$24,608,502	\$14,085	\$25,571,727	\$14,636	\$26,226,168	\$15,011	\$27,272,404	\$15,610
LCFF Calculated Funding	\$14,405,735	\$8,245	\$14,581,273	\$8,346	\$15,062,149	\$8,621	\$15,632,291	\$8,947
Amount Above Calculated Funding	\$10,202,767	\$5,840	\$10,990,454	\$6,290	\$11,164,019	\$6,390	\$11,640,113	\$6,662
% Above	70.82%		75.37%		74.12%		74.46%	
SMMEF	-		-		-		-	
City of Malibu	\$200,000	\$114	\$200,000	\$114	\$200,000	\$114	\$204,000	\$117
TOTAL REVENUES	\$24,808,502	\$14,199	\$25,771,727	\$14,751	\$26,426,168	\$15,125	\$27,476,404	\$15,726

*Assumes annual property tax growth of 4.22%
Assumes LCFF growth of 2.67% annually beginning in 2019-20
Assumes 2017-18 as the earliest first year of reorganization

Although MUSD experiences a significant increase in per pupil funding through its large share of property tax revenues, it does not retain most of the other local revenue streams that currently accrue to the District. It is expected that MUSD would need to reauthorize a parcel tax to continue to receive parcel tax revenue, so none is shown in this table. In addition, most of the District's other local revenue sources—local option sales tax, joint use revenues, education foundation donations—would stay with SMUSD and not MUSD.

If MUSD were to be successful in gaining approval of a parcel tax equivalent to the Measure R parcel tax level (currently \$386 per parcel) it would gain more than \$3 million of additional revenues.

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Table 4 Per-ADA Change: Santa Monica USD from Santa Monica-Malibu USD Revenues by Source Fiscal Years 2017-18 through 2020-21				
	2017-18	2018-19	2019-20	2020-21
LCFF State Aid	\$1,147	\$1,188	\$1,229	\$1,274
Minimum State Aid	-\$144	-\$391	-\$256	-\$320
EPA	-	-	-	-
Property Tax*	-\$1,306	-\$1,354	-\$1,405	-\$1,457
RDA Distributions	\$209	\$218	\$224	\$239
Subtotal, LCFF Revenue	-\$93	-\$339	-\$208	-\$265
LCFF Calculated Funding	\$51	\$52	\$49	\$55
Amount Above Calculated Funding	-\$144	-\$391	-\$256	-\$320
% Above				
SMMEF	\$48	\$48	\$48	\$49
Parcel Tax - Measure "R"	-\$153	-\$157	-\$160	-\$164
Measure "YY"	\$157	\$161	\$165	\$168
City of Santa Monica	\$172	\$176	\$180	\$184
City of Malibu	-\$19	-\$19	-\$19	-\$19
Change, TOTAL REVENUES	\$112	-\$130	\$6	-\$48

Change in Revenues Under a Reorganization

The effect of the change in district organization is best shown through a comparison of changes in revenue sources on a per-ADA basis. The following two tables show the difference between the estimated revenues per ADA from each revenue source for the District shown in Table 1, and the same revenue sources per ADA for both the SMUSD from Table 2, shown below in Table 4, and MUSD from Table 3, shown below in Table 5.

Table 4 shows that SMUSD is affected by the loss of minimum state aid, but that this loss is at least partially offset by per-ADA gains from other revenue sources that will continue to accrue to SMUSD after a reorganization. In some years there is a loss and in others a slight gain in SMUSD per-pupil revenues during this four-year period.

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Table 5 displays the per-ADA differences for MUSD, showing large gains from additional local property tax revenues that are significantly offset by the loss of other local revenue. In particular, the suspension of the existing parcel tax reduces per-pupil funding by more than \$1,000. However, restoration of an equivalent parcel tax, if proposed and approved by Malibu voters, would more than offset this loss. In net under our baseline assumptions, the establishment of a separate MUSD would increase per-pupil funding for students in the MUSD by \$2,500 to \$3,000 per ADA during the four-year period of this forecast.

Table 5 Per-ADA Change: Malibu USD from Santa Monica-Malibu USD Revenues by Source Fiscal Years 2017-18 through 2020-21				
	2017-18	2018-19	2019-20	2020-21
LCFF State Aid	-\$677	-\$430	-\$565	-\$501
Minimum State Aid	\$677	\$430	\$565	\$501
EPA	-	-	-	-
Property Tax*	\$6,501	\$6,739	\$6,984	\$7,239
RDA Distributions	-\$1,045	-\$1,088	-\$1,119	-\$1,173
Subtotal, LCFF Revenue	\$5,456	\$5,651	\$5,865	\$6,066
LCFF Calculated Funding	-\$239	-\$248	-\$269	-\$276
Amount Above Calculated Funding	\$5,695	\$5,899	\$6,134	\$6,342
% Above				
SMMEF	-\$239	-\$239	-\$239	-\$244
Parcel Tax - Measure "R"	-\$1,127	-\$1,156	-\$1,183	-\$1,211
Measure "YY"	-\$784	-\$803	-\$822	-\$838
City of Santa Monica	-\$860	-\$879	-\$898	-\$916
City of Malibu	\$95	\$95	\$95	\$97
Change, TOTAL REVENUES	\$2,541	\$2,670	\$2,818	\$2,954

The Long-Term Forecast: 2021-22 through 2028-29

As previously described, we have simplified the long-term forecast by maintaining a fixed percentage of annual increases to LCFF base grants and property tax revenues. We also hold ADA constant at the estimate of 2019-2020 ADA. Minimizing variability from other sources allows us to see the effect of the key factor in revenue changes for each school district configuration. Holding these factors constant means that comparative changes in revenues among the three district configurations reflect the annual change in the relationship between growth in the LCFF target entitlements and growth in offsetting local property tax revenues.

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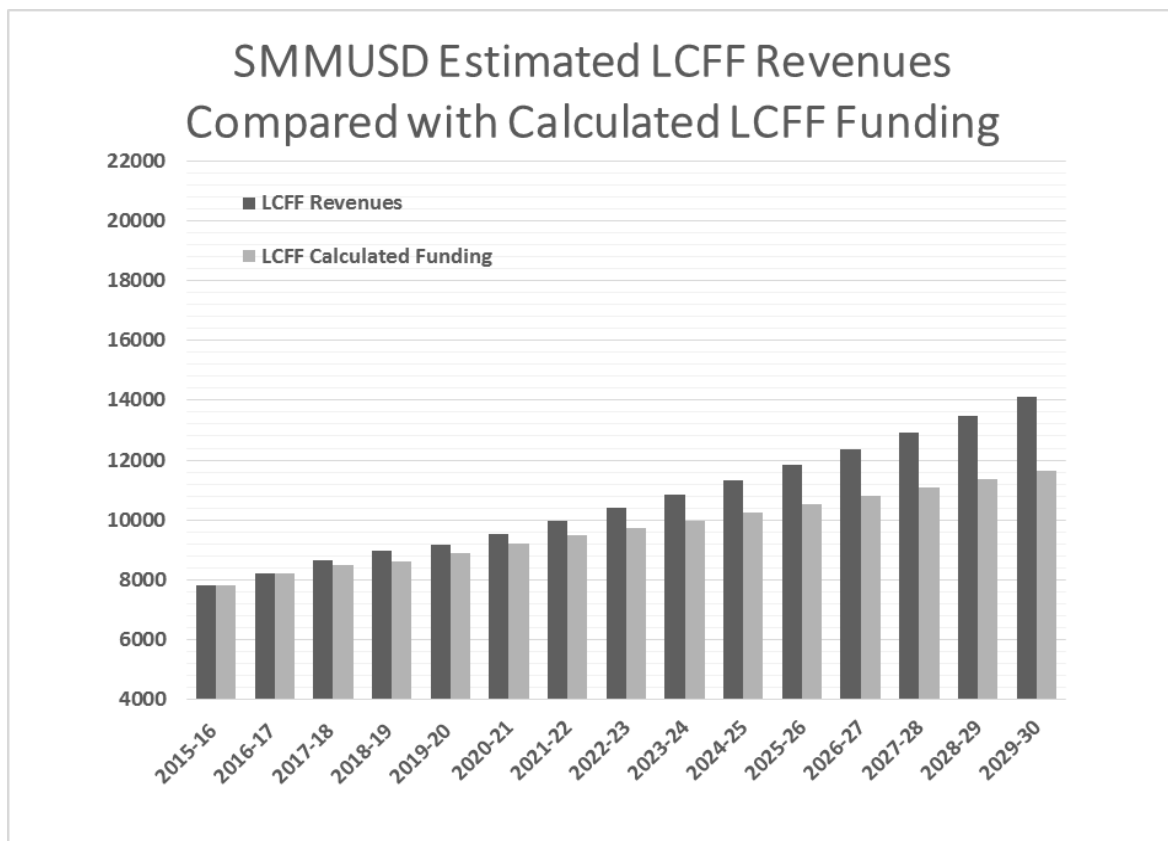
The following three graphs display the relationship between the calculated LCFF funding and actual LCFF funding for each of the three district configurations. Actual LCFF funding will equal the calculated LCFF funding when local revenues are sufficiently below the LCFF calculated amount so that the minimum state aid or basic aid provisions of state law are not triggered.

Once minimum state aid or basic aid come into play because of high local revenue compared to the LCFF calculated entitlement, then actual LCFF funding will be higher than the calculated LCFF amount.

The Santa-Monica Malibu Unified School District

Graph 1 shows that the District becomes minimum state aid funded in 2017-18, and becomes a fully community-funded (basic aid) school district in 2023-24 as local revenue growth completely overtakes growth in the LCFF target, providing additional revenues from local property taxes over and above the LCFF entitlement of the District.

Graph 1



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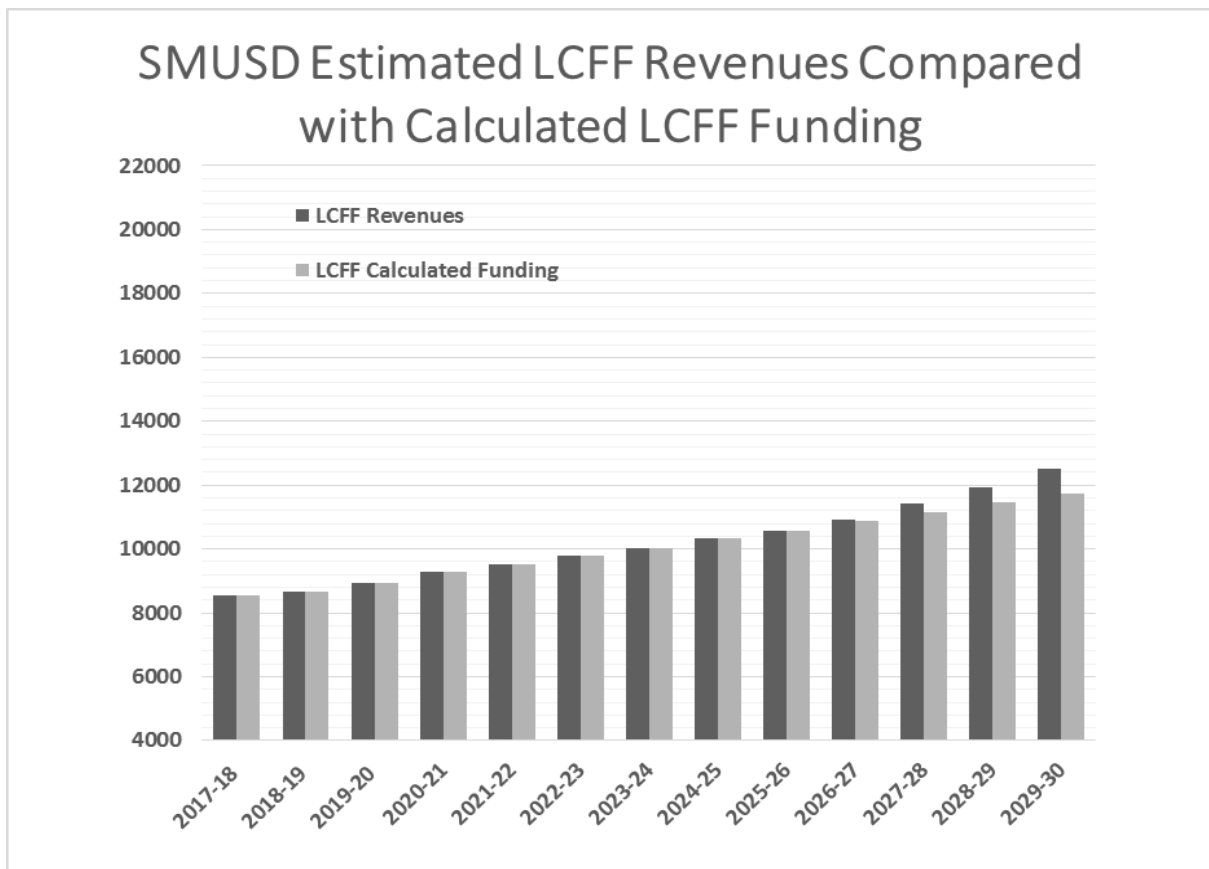
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The difference between the calculated LCFF entitlement and actual LCFF funding is attributed to the receipt of higher property tax revenues, and the state terms this difference to be “excess” taxes. What factors in our forecast affect the level of excess taxes for any of the three district configurations? If the state grows the LCFF at a faster rate, providing higher annual increases, then the excess taxes will be reduced or eliminated. If local property tax revenues grow faster, then excess taxes will also grow faster and may appear in the forecast sooner. Conversely, slower property tax growth reduces excess taxes.

The Santa Monica Unified School District

Graph 2 displays the same information as Graph 1, but for SMUSD. Although immediately post-reorganization the district is state funded, average annual compounded growth in local property taxes exceeds growth in the LCFF entitlement and SMUSD would, under these forecast assumptions, become a minimum state aid district beginning in 2026-27, ultimately becoming a basic aid school district in the future.

Graph 2



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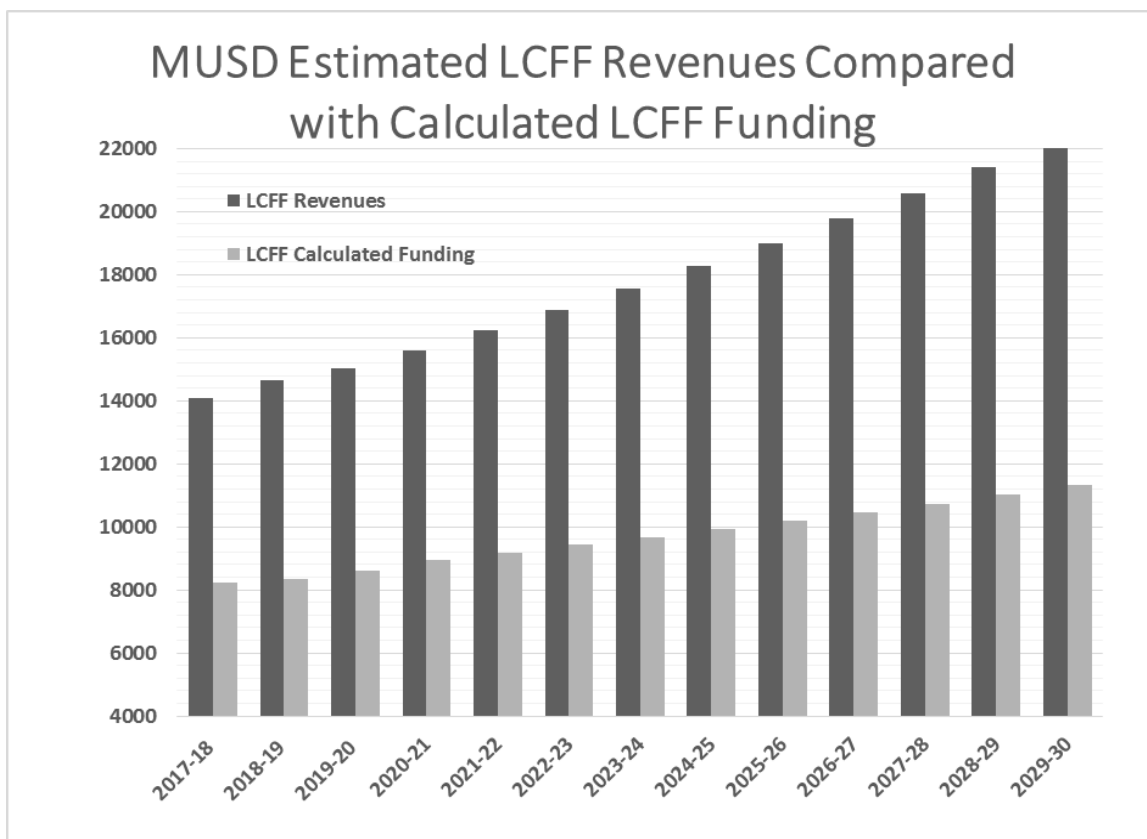
August 1, 2016

The Malibu Unified School District

Graph 3 shows that MUSD would begin reorganization as a solidly community-funded district, dependent on local revenues as the primary source of support. As a community-funded school district, MUSD would face the unique opportunities and challenges that come when primary funding is most sensitive to local, rather than state, budget constraints.

Among those challenges is managing district operations as enrollment changes. We have modeled the effect of applying the division of enrollment between Santa Monica schools and Malibu schools from the 2015-16 enrollment reports. It shows that Malibu schools will account for about 19.4% of total enrollment and Santa Monica for 80.6%. This contrasts with the 16.7% and 83.4% proportions of ADA, respectively, that were allocated to the two districts in the prior feasibility study and in our baseline forecast.

Graph 3



Unlike state aid school districts, which earn additional funding for each additional student and lose funding for each student lost, the revenues of community-funded school districts are insensitive to

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changes in student enrollment. Revenues do not increase when new students come into the district, nor do they decline when students leave.

As a result, an increase in the number of enrolled students will reduce the average funding per pupil available to serve all students in the district. Distributing 19.4% of the District ADA, rather than 16.7%, to MUSD would increase ADA to 2,028 from 1,747 in 2017-18 and future years— 16% more students enrolled. That increase reduces 2017-18 average per-pupil funding for MUSD from \$14,085 to \$12,278—a reduction of \$1,807 per ADA. As long as enrollment stays higher, this effect will persist into future years with the average revenues per pupil reduced by about 13% when compared with our baseline estimate.

Total MUSD LCFF revenues did not change, but because the number of students enrolled grew, then funding per pupil declines.

Long-Term Revenue Impact

The loss of the Malibu property tax base and the compounding effect of property tax growth becomes the primary driver of growing differences in funding for SMUSD when compared with the District. Table 6 shows the difference in total revenues for each of the newly formed school districts for the eight-year period of the long-term forecast when compared with the District over the same period.

Year	SMUSD	MUSD
2021-22	-\$216	\$3,094
2022-23	-\$374	\$3,240
2023-24	-\$594	\$3,390
2024-25	-\$781	\$3,546
2025-26	-\$1,032	\$3,708
2026-27	-\$1,223	\$3,874
2027-28	-\$1,262	\$4,046
2028-29	-\$1,303	\$4,225

Change in State Aid

Over the 2017-18 through 2020-21 forecast period, the proposed reorganization increases state cost for the LCFF when compared with funding for the existing District. This occurs because a portion of the local tax revenue that will be allocated to MUSD is no longer available to offset

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state aid. The increased state cost is reflected in additional state aid provided to SMUSD. Table 7 shows the comparison of state aid for the District, which is minimum state aid funded during the forecast period, with the combined state aid for SMUSD and MUSD. Additional cost to the state varies across years, from about \$7 million to \$9 million.

Table 7 Annual Net Change in LCFF State Aid Fiscal Years 2017-18 through 2020-21								
	2017-18		2018-19		2019-20		2020-21	
	Amount	Per ADA	Amount	Per ADA	Amount	Per ADA	2020-21	Per ADA
SMMUSD State Aid	\$8,585,843	\$821	\$8,585,843	\$821	\$8,585,843	\$821	\$8,585,843	\$821
SMUSD State Aid	\$15,891,329	\$1,823	\$14,095,862	\$1,617	\$15,628,550	\$1,793	\$15,462,027	\$1,774
MUSD State Aid	\$1,433,836	\$821	\$1,433,836	\$821	\$1,433,836	\$821	\$1,433,836	\$821
Subtotal, SMUSD and MUSD	\$17,325,165	\$1,656	\$15,529,698	\$1,484	\$17,062,386	\$1,631	\$16,895,863	\$1,615
Change in State Aid	\$8,739,322	\$835	\$6,943,855	\$664	\$8,476,543	\$810	\$8,310,020	\$794

However, over the longer-term forecast period, state costs begin to decline, falling from \$7 million in 2021-22 to \$3.2 million in 2024-25. By 2026-27, additional state costs are wholly offset by local property tax growth since in that year both SMUSD and MUSD are community-funded (basic aid) school districts that receive only the minimum state aid required by law.

Sensitivity to Changing Factors

As previously noted, the financial impact of a reorganization on LCFF funding over time is heavily influenced by two primary factors: annual change in LCFF grants per ADA and changes in local property tax revenues. Our baseline assumptions are reasonable given historical changes in local revenues and historical practices in state support for school district funding formulas. In addition to our baseline forecast, we have looked at the effect of more conservative and more optimistic growth in property taxes while holding LCFF growth constant at our baseline percentage of 2.67%.

Sensitivity Analysis: The Conservative View—3% Average Annual Increase in Property Tax Revenues

The following changes result from a 3% annual rate of growth in property tax revenues for each of the three district configurations:

- The District briefly moves into minimum state aid status in 2018-19, but then remains a state aid school district in each of the following years of the forecast period

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- SMUSD is a state aid district during the full forecast period, and MUSD is a community-funded school district
- MUSD, as would be expected with lower average property tax growth, gains less additional per-ADA funding than it does under the baseline forecast
- SMUSD gains about \$300 per ADA in net revenues per pupil relative to the District
- State aid costs under the reorganization do not decline, but instead grow from about \$10 million to more than \$13 million during the 12-year forecast period

Sensitivity Analysis: The Optimistic View—6% Average Annual Increase in Property Tax Revenues

The following changes result from a 6% annual rate of growth in property tax revenues for each of the three district configurations:

- The District becomes basic aid in 2021-22, five years sooner than under our baseline forecast, and is minimum state aid during the years prior to 2021-22
- SMUSD becomes a minimum state aid district in 2023-24 and a basic aid school district in 2026-27
- Relative to the District, SMUSD revenue per pupil quickly diverges, starting with a deficit of \$42 per ADA in 2017-18 that grows to nearly \$2,000 by 2028-29
- MUSD experiences a greater increase in per-pupil funding through accelerated property tax growth, moving from more than \$14 thousand per ADA in 2017-18 to almost \$27 thousand per ADA in 2028-29
- Annual state cost increases fall rapidly from a high of nearly \$8 million in the first year of reorganization to zero by 2023-24

Conclusion

Separating the Santa Monica-Malibu Unified School District into two unified school districts, one serving youth in the city of Santa Monica and one serving youth in Malibu and the surrounding areas, creates both financial benefits and financial challenges.

Our forecast of future funding for both the existing school district and the two newly formed school districts that would be created through a reorganization shows that property tax revenues will dominate the LCFF calculations in the future. This will benefit the school districts in any of the existing or proposed configurations because, sooner or later, the districts are likely to receive both the minimum level of state aid required by state law and the constitution, while also retaining the

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benefit of future growth in assessed valuations and the property tax revenue growth that results. A newly established MUSD would enjoy these benefits immediately, but we forecast that SMUSD would also become, first, a minimum state aid school district and later a basic state aid school district in the future.

SMMUSD has enjoyed strong local support from its community, receiving significant additional revenues from a variety of local sources. While MUSD would benefit immediately from increased property tax revenues per pupil, a newly formed SMUSD would retain most of the other local revenues that currently accrue to SMMUSD, which would increase funding available per pupil from those sources for SMUSD. In addition, although SMUSD would experience an immediate and significant reduction in local property tax revenues per pupil under a reorganization of the District, the LCFF would backfill most of that loss with additional funding provided by the state.

As well as benefits, the proposed reorganization raises challenges for the Santa Monica and Malibu communities that will need to be addressed in three areas: District financial solvency, increased state costs, and the relative loss of revenue for Santa Monica schools. Our companion report, *Santa Monica-Malibu Unified School District—Review of Prior Reports and Analyses of District Reorganization*, emphasizes the importance for the reorganized school districts to begin on a sound financial footing, and raises a concern that added state costs resulting from a proposed reorganization may create a barrier to approval. Our forecast does show that in the near term state costs for the LCFF would increase under the proposed reorganization of the district—we estimate from \$7 million to \$9 million. But, over the longer term state costs will be reduced and finally eliminated as local revenue growth continues to outpace LCFF increases in SMUSD.

Our forecast documents that SMUSD would, under the most likely scenarios, experience a net loss of funding per pupil under a reorganization, and we have quantified that loss in our baseline forecast and alternative scenarios². In the near term increased benefits from other local revenues may offset the loss of property tax revenues for SMUSD, but in the longer term the differential distribution of the property tax base resulting from a reorganization will likely leave SMUSD behind when compared with per pupil revenues that would accrue to the District as it exists today.

Given the work that has already been done to analyze the impact of a reorganization on the District, our conclusions are familiar and generally consistent with the work that has come before us. However, this analysis, for the first time, quantifies the financial effects on revenues of the proposed reorganization of the District both in the near term and the longer term, and under several scenarios. More importantly, it identifies the factors to which the state revenue formula is most

² Only under a slow revenue growth scenario would SMUSD not suffer a relative loss in per pupil funding, and this occurs only because funding for the existing district configuration would also suffer if future growth in property tax and LCFF funding were low.

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sensitive for each of the alternative district configurations, providing guidance on a pathway forward to achieve a workable and equitable division of resources upon a reorganization of the District. We believe our analysis shows that sufficient financial flexibility exists under a proposed reorganization to balance the financial impact in ways that can benefit all students served in Santa Monica and Malibu in the future. Our analysis supports that this balancing may be best achieved through a formula-based approach, because of the demonstrated sensitivity of future revenues on variation in factors that may be difficult to predict with accuracy. Such a formula should be relatively simple, so that it is understandable to community stakeholders, and it should be based on factors that are generally outside of a school district's capacity to individually influence or control.

Modeling and Revenue Forecasting Assumptions

LCFF Factors and Assumptions

Key drivers of LCFF revenues for school districts are annual COLAs applied to the LCFF target grants; changes in local revenues that offset state aid; temporary tax revenue that supplements state aid; changes in ADA; and gap closure funding during the transition years to full LCFF implementation. Our analysis of the financial effect of dividing the District into two separate school districts, one serving Santa Monica city students and the other serving students in Malibu and surrounding areas, is based on estimations of the division of property tax revenue, student enrollment, and other assumptions that we have used regarding forecasts of future conditions among the existing and proposed school districts.

Where our analysis supports the assumptions used in previous feasibility studies and reports about the proposed reorganization of the District, we have used those earlier assumptions to provide analytic consistency. Following are the factors we have used in this report to estimate and project the future financial effects of reorganizing the District, and an identification of the key differences in our estimates compared with the District adopted budget and multiyear forecast.

 **Differences Between the District Adopted Budget and the SSC Forecast**—We have based our forecast on estimated actual revenue data provided by the District for the 2015-16 budget year and estimates that formed the basis for the District's 2016-17 adopted budget. We have used the LCFF multiyear spreadsheet tool provided by the District as the foundation for building out our short-term and long-term forecasting model. Although we have used District-provided tools and data as our starting point, we have used updated information when it was available so that our forecast reflects the most recent actual data at this time.

We believe that our forecast is consistent with the District's budget and multiyear estimates, but it is not our intent to replicate the work the District performed in preparation of their budget.

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Following are key differences between the District’s LCFF budget/multiyear estimates and our forecast:

- The District has received additional allocations of property taxes since the budget estimates were prepared, increasing property tax revenue in 2015-16 by about \$3 million. We use the most recent report of actual tax proceeds in our forecasting model.
- This report uses the most recently updated gap closure percentages provided by the Department of Education for 2015-16 and estimated by the Department of Finance (DOF) for future years.
- The District has used a 5% annual property tax growth estimate, while our baseline forecast employs a slightly lower 4.78% estimate of future growth in property taxes

How does this affect our forecast when compared with current District estimates? Because of high local revenues, the District is very close to the line between being in state aid status and minimum state aid status. The combination of higher initial property taxes in 2015-16 and slightly lower gap closure percentage estimates from the DOF for future years causes our forecast to show the District returning to minimum state aid status in 2017-18, earlier than estimated by the District at the time of budget adoption.

Following is a table that compares the gap closure percentages that were the latest available when the District prepared its 2016-17 budget with the gap closure percentages we have used in our forecast.

	2015-16	2016-17	2017-18	2018-19
District Budget	51.97%	54.84%	73.96%	41.22%
DOF Forecast	52.56%	54.18%	72.99%	40.36%

- ✚ **COLA and Gap Closure Percentages**—We have used actual values or DOF estimates of the annual statutory COLA for LCFF target grants and for LCFF gap closure percentages in each year from 2015-16 through 2019-20, the last year for which DOF estimates are available. In subsequent years we annually increase the LCFF grants by the COLA percentage estimated for 2019-20. The Administration’s plan for LCFF assumes full implementation in 2020-21, and for that reason we have used a 100% gap closure percentage in that year.

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Table 8 Department of Finance Estimates Cost of Living Annual Percentage and LCFF Gap Closure Percentage						
	2015-16*	2016-17*	2017-18	2018-19	2019-20	2020-21
COLA	1.02%	0.00%	1.11%	2.42%	2.67%	2.67%
Gap Closure	52.56%	54.18%	72.99%	40.36%	73.98%	100.00%

* 2015-16 and 2016-17 COLA percentages, and the 2015-16 gap closure percentage, are actuals

Division of Property Tax Revenues—The total assessed value (AV) on the secured and unsecured tax rolls of Los Angeles County for the city of Malibu and the city of Santa Monica is shown in Table 9. In 2015, Malibu accounted for about 31% and Santa Monica for 69% of the total value of taxable property in the two cities. The WestEd feasibility study attributed 33.6% of the District property tax revenue, excluding Redevelopment Agency (RDA) distributions, to Malibu and the surrounding unincorporated area that would be part of a newly formed Malibu district. We believe this estimate is consistent with the proportional AV shares for each city and have used a division of 33.6% of District property tax revenues initially allocated to MUSD and 66.4% allocated to SMUSD, based on 2015-16 property tax revenues reported by the District.

Property Tax Growth—Property tax collections are based on AV, so there is a high correlation between changes in AV and changes in the amount of property tax revenues received by a school district. We have reviewed changes in AV over time for the two cities that comprise the District to establish estimates for annual changes in property tax revenues for each of the school district configurations.

Table 9 shows AV for both Santa Monica and Malibu during the 12-year period from 2003 through 2015. Over that time period, which includes the Great Recession of 2008-09, change in AV for both communities can be seen to vary widely. The table also shows the annual average percentage change for each city and the cities combined over three time periods: for 12 years from 2003-2015; for 6 years from 2009-2015; and for the most recent 3-year period from 2012-2015. The 12-year average shows the highest percentage growth in AV, more than 6% annually across both communities, reflective of the boom years of growth in property values prior to the Recession. The 6-year average reflects the heavy influence of the “bust” in the property valuation balloon during the Recession, with average annual change dropping below 4%.

Our report uses the three-year average annual percentage growth in AV as the baseline estimate of annual property tax increases that are applied to our forecast for each of the three school district configurations. This average reflects the most recent trends in AV for the communities involved, absent the impact of both the real estate bubble and subsequent bursting of that

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bubble during the Recession. For MUSD we assume a 4.22% annual increase in property tax revenue, for SMUSD we use 5.04%, and for the District we use 4.78%.

In addition to the baseline forecast we will assess the impact of higher or lower average annual rates of property tax growth on LCFE entitlements for the school districts under alternative scenarios. Although for the purpose of forecasting future financial impact we believe that applying averages to govern annual changes in key factors allows us to identify trends, as seen in the 12-year AV history, actual annual changes in property tax revenues for any given year can vary significantly.

<i>Assessed Valuation*</i>								
Year	Malibu	% Change	% of Total	Santa Monica	% Change	% of Total	Total	
2015	\$12,860,626,193	3.79%	30.74%	\$28,974,388,499	5.29%	69.26%	\$41,835,014,692	
2014	\$12,373,220,982	5.79%	31.08%	\$27,440,683,662	6.38%	68.92%	\$39,813,904,644	
2013	\$11,657,332,875	3.14%	31.21%	\$25,690,700,032	4.37%	68.79%	\$37,348,032,907	
2012	\$11,290,899,099	3.46%	31.49%	\$24,567,866,023	3.10%	68.51%	\$35,858,765,122	
2011	\$10,899,776,633	1.17%	31.41%	\$23,805,129,858	-0.90%	68.59%	\$34,704,906,491	
2010	\$10,772,366,532	5.60%	30.96%	\$24,019,678,863	2.53%	69.04%	\$34,792,045,395	
2009	\$10,168,585,670	8.76%	30.28%	\$23,411,970,205	9.78%	69.72%	\$33,580,555,875	
2008	\$9,277,803,520	8.75%	30.52%	\$21,121,981,564	6.71%	69.48%	\$30,399,785,084	
2007	\$8,465,602,275	12.58%	30.05%	\$19,704,867,414	8.16%	69.95%	\$28,170,469,689	
2006	\$7,400,873,218	10.80%	29.02%	\$18,097,807,433	8.59%	70.98%	\$25,498,680,651	
2005	\$6,601,919,481	9.23%	28.52%	\$16,543,617,285	5.05%	71.48%	\$23,145,536,766	
2004	\$5,992,675,814	9.40%	27.62%	\$15,708,094,524	7.07%	72.38%	\$21,700,770,338	
2003	\$5,429,554,435		27.11%	\$14,597,773,567		72.89%	\$20,027,328,002	
<i>Average</i>	2003-2015	7.45%		2003-2015	5.88%		2003-2015	6.33%
	2009-2015	4.00%		2009-2015	3.62%		2009-2015	3.73%
	2012-2015	4.22%		2012-2015	5.04%		2012-2015	4.78%

* Secured and Unsecured, net of exemptions

- Redevelopment Agency-Related Income**—The District receives additional local revenues from the tax increment that formerly accrued to the RDA within its boundaries. The former RDA was in the city of Santa Monica, so all revenues received from that source are credited to the SMUSD under a reorganization. We have used the most recent district estimates of RDA pass through and residual distribution income provided by the District through 2019-20. Thereafter, we annually increase post-RDA income by the SMUSD annual average increase to local property taxes.

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- ✚ **Enrollment and Average Daily Attendance**—To be consistent with previous feasibility study work regarding a reorganization of the District we used an historical division of enrollment between Santa Monica schools and Malibu schools of 84.3% and 16.7%, respectively, and applied those percentages to the District estimates of ADA that we used in our baseline forecast. For our long-term forecast we carried forward the District’s 2017-18 ADA estimate and held it constant for each additional year of the forecast period. We also reviewed California Basic Educational Data System (CBEDS) fall enrollment reported for 2015-16, and we allocated the 2015-16 enrollment of each school within the District to either SMUSD or MUSD. Based on the CBEDS data, the proportional division of enrollment between the two districts was 80.6% for SMUSD and 19.4% for MUSD in that year. In addition to our baseline forecast, we modeled this percentage allocation of ADA to each district, noting MUSD’s sensitivity to the impact of enrollment swings in a basic aid school district.

- ✚ **Unduplicated Pupil Percentage**—The percentage of students enrolled in a district who are English learners, from low-income families, or foster youth determines the additional revenues a school district receives through the supplemental and concentration grant provisions of the LCFF. That percentage is called the Unduplicated Pupil Percentage (UPP), and the District’s UPP is 29.03%. The SMUSD attendance area includes a higher proportion of eligible pupils than MUSD relative to enrollment, so the SMUSD has a higher UPP than the District. We use an estimated UPP of 32.25% of enrollment for SMUSD and 12.97% for MUSD in each year of the forecast. While supplemental grants are calculated for both of the newly formed school districts based on these percentages, the UPP for the districts is below the threshold to qualify for concentration grant funding.

- ✚ **Minimum State Aid**—The District’s LCFF minimum state aid is \$8,585,843. There is no statutory requirement or administrative guidance regarding how the entitlement to minimum state aid should be divided among school districts in the event of a reorganization. We have assumed that a proportional division based on the allocation of student enrollment and ADA among the school districts is reasonable and would likely be an acceptable approach for those charged with reviewing a proposed reorganization. We have allocated 83.3%, or \$7,152,007, to SMUSD and 16.7%, or \$1,433,836, to MUSD. Although we believe this is a reasonable approach, it may not be the only acceptable method for allocating minimum state aid.

- ✚ **Education Protection Account Proposition 30 Revenues**—The existing school district and both newly proposed school districts qualify for the \$200 per-ADA minimum allocation of EPA funds. We show EPA funding through 2018-19 for the three district configurations, at which time the temporary taxes enacted through Proposition 30 will have expired. Proposition 55 on the November 2016 ballot will, if approved, extend the income tax surcharge on high-income earners and the minimum allocation of \$200 per ADA from the revenues generated by the tax.

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Report Prepared for the Malibu Unification Negotiating Committee

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The LCFF Model

Beginning with the LCFF calculator spreadsheet used by the District for budgeting and multiyear forecasts, SSC staff developed a model that we then used to estimate future allocations of state and local revenue for the District and the proposed SMUSD and MUSD using the assumptions outlined above. The model uses as its starting point LCFF funding for the District as determined by the California Department of Education (CDE) for the June 2015-16 Second Principal Apportionment, adjusted for actual local property tax revenues and RDA trust fund distributions received by the District as of July 6, 2016.

Other Local Revenues

The District receives a significant amount of additional resources that are outside of the state LCFF system. Unlike property taxes, these revenues do not offset state aid and are provided in addition to funds received from other state and federal sources.

Other local revenues include a parcel tax, a locally approved sales tax increment, joint-use facilities revenues from the cities of Santa Monica and Malibu, and donations from a school district education foundation. In a reorganization of the District, these revenue streams would divide in different ways among a Santa Monica and a Malibu school district.

 **Proposition Y** is a measure approved by more than 60% of the voters in Santa Monica on November 2, 2010, increasing the sales tax for the city of Santa Monica “. . . to offset severe state budget cuts, protect and stabilize city finances, and maintain essential services including: police, fire, paramedic and emergency 911 response, school, educational and afterschool programs, public transit, services for the disabled, gang and drug prevention programs, environmental, library and other general fund services, by enacting a city of Santa Monica ½ percent transactions and use tax.”

On the same ballot, Measure YY posed a “Santa Monica Sales Tax Proceeds for Schools Advisory Question.” Measure YY was a companion measure to Measure Y, which raised the city’s sales tax from 9.75% to 10.25%. The advisory question asked voters if they thought that 50% of the approximately \$12 million that the sales tax hike was estimated to generate annually should be earmarked to support public education in the city. Both measures were approved. Proposition Y currently provides approximately \$8 million per year to the District.

In a division of existing revenues, allocations resulting from Proposition Y would continue to flow to SMUSD, and would not be shared with MUSD since the increased sales tax applies only to city of Santa Monica transactions. As a result, SMUSD would see an increase in funding per ADA attributable to the sales tax revenues since the revenue stream would remain the same and ADA for a Santa Monica-only school district would decline by approximately

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17% under the reorganization. We estimate the net impact of this change would be to increase per-pupil revenues for a new SMUSD by approximately \$170, and reduce revenues for MUSD by \$800 per ADA.

- ✚ **Measure R**, adopted by an overwhelming majority of the voters in Santa Monica and Malibu on February 5, 2008, combined two existing school parcel taxes into a single tax, intended “. . . To preserve quality schools despite inadequate state funding, and prevent program cuts.” Funds were intended to be used to retain highly qualified teachers and reduce class size; protect excellence in math, science, technology, arts, music, and reading; and sustain libraries. At the time of adoption, the parcel tax was \$346 per year, to be adjusted annually for inflation [the All Urban Consumer Price Index (CPI)], and was expected to generate approximately \$12 million of additional revenues for the District. We use an estimate of 2.36% for the annual change in the CPI when determining future revenues from Measure R.

For the SMUSD, total Measure R parcel tax revenues would be reduced by the loss of the Malibu parcels and those in the unincorporated area surrounding the city of Malibu. Based on the number of parcels in Santa Monica and the 2016-17 tax rate of \$386 per parcel, we estimate that SMUSD would receive approximately \$8.3 million from Measure R revenues were the reorganization to occur in the current year. This compares with estimated revenues from Measure R for the existing District of \$11.5 million in the current year. Because the parcel tax revenues for a newly formed SMUSD would be approximately 73% of the total current Measure R revenues, but SMUSD would retain about 83% of the ADA, then revenues per pupil in SMUSD from Measure R would decline by approximately \$150 per ADA under current tax rates.

As previous analyses have concluded, existing law regarding the division of assets and liabilities is unclear about the treatment of voter-approved parcel tax revenues, and Malibu is likely to need to adopt a new parcel tax to make up for revenue that would otherwise have been generated through Measure R if that revenue is needed for the new unified school district. Absent continuation of the parcel tax in Malibu, MUSD would face a reduction of \$1,100 to \$1,200 per pupil from lost parcel tax revenues.

- ✚ **“Joint Use” Revenues**—The city of Santa Monica currently provides the District with about \$9 million annually through joint use facilities agreements. That funding would be retained in whole within the SMUSD, and, when compared with the per-pupil average revenues from this source for the existing District, SMUSD revenues per ADA would increase by at least \$175. The loss of these revenues to the MUSD would reduce per-pupil funding by more than \$860.

Conversely, retention by MUSD of the full \$200 thousand in facilities-related revenues from the city of Malibu would increase funding by about \$95 per ADA, with SMUSD experiencing a corresponding loss per pupil of \$19.

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- ✚ **The Santa Monica-Malibu Education Foundation**—The District budget reflects \$2.5 million in annual revenues from various fundraising activities that contribute to the SMMEF. We have allocated the full \$2.5 million to SMUSD, increasing SMUSD per-pupil funding by about \$50 and decreasing MUSD revenues by \$250 per ADA, with the understanding that MUSD may establish a separate education fund in the future.
- ✚ **Other Local Revenue Considerations**—Proposals are currently being considered that could materially increase local revenues for both of the proposed school districts. An additional sales tax increment is under consideration for the city of Santa Monica that would, if adopted, increase funds available to the SMUSD by \$8 million, or more than \$900 per pupil. The MUSD may ask Malibu voters to authorize continuation of a parcel tax to restore the revenues lost from Measure R, making up for the more than \$1,000 per-pupil reduction that results from the inability to continue to apply Measure R parcel taxes to Malibu area properties.

Recent agreements to lease school properties for private use will increase future revenues for the SMUSD but are not reflected in this analysis because the information needed to estimate the financial impact on the school district was not available at the time of publication.

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Report Prepared for the Malibu Unification
Negotiating Committee

September 14, 2016 (Rev. December 6, 2016)

Prepared by:

Robert D. Miyashiro
Vice President

Michael Ricketts
Associate Vice President

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

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Introduction

The Santa Monica-Malibu Unified School District (District) and Advocates for Malibu Public Schools have contracted with School Services of California, Inc., (SSC) to provide the Board of Education's Malibu Unification Negotiating Committee (Committee) with independent and impartial consulting services to assist in the development of a formula to address fiscal disparities that may arise from the reorganization of the District into two unified school districts.

Over the past five years the District has analyzed the impact of reorganizing into two separate districts: the Santa Monica Unified School District (SMUSD) and the Malibu Unified School District (MUSD). Through the course of that review and analysis, projections suggest that SMUSD may experience a decline in revenues when compared to the current configuration.

To assist the Committee, SSC has prepared an independent forecast of the financial effects that may result from a reorganization of the District into two unified school districts, SMUSD and MUSD. The forecast covers a 14-year period from 2015-16 through 2028-29 for the District, and 12-year periods from 2017-18—the first full year of operation anticipated for a reorganization—through 2028-29 for SMUSD and MUSD.

Summary

Background

The effect on revenues of the potential reorganization of the District into two separate school districts, one centered in Santa Monica and one in Malibu, requires a comparison of the funding for the two proposed new districts relative to funding for the District as a whole. This report forecasts the relative change in revenues over time and under different conditions, and assesses the impact of those conditions on each school district and on state costs for the Local Control Funding Formula (LCFF). We have projected the LCFF for each new district configuration over a 12-year period, from 2017-18 through 2028-29, and for the District beginning with 2015-16.

The report also incorporates the contribution of other local revenue to the resources available for the District, and shows how the distribution of these local revenues among the two proposed school districts under a reorganization affect the net balance of revenues.

Summary of Findings and Conclusions

This report is based on a forecast of the future, one that we think is reasonably likely but will invariably not be exactly accurate as the future actually unfolds. The numbers shown are exactly what our forecasting model produces, but the numbers our forecasting model produce are not

exact. For this reason, we also model the effect of a more conservative and a more optimistic view of local property tax growth in future years. It is important to bear in mind that the value of the forecast is not in the exactness of the numbers and differences that are calculated, but instead in the trends and relationships the model illuminates.

The baseline forecast assumes an average of about 5% annual growth in local property taxes and 2.67% annual growth in the state's LCFF after full implementation. This is consistent with historical trends of property tax growth in the state showing greater strength and stability than growth in state funding for schools. Our more conservative model assumes 3% annual average growth in property tax revenues, while our optimistic scenario assumes 6%. Under our baseline forecast, we draw the following conclusions regarding trends in revenues that would result from a reorganization of the District. We note modifications to these conclusions where our alternative scenarios would show different results:

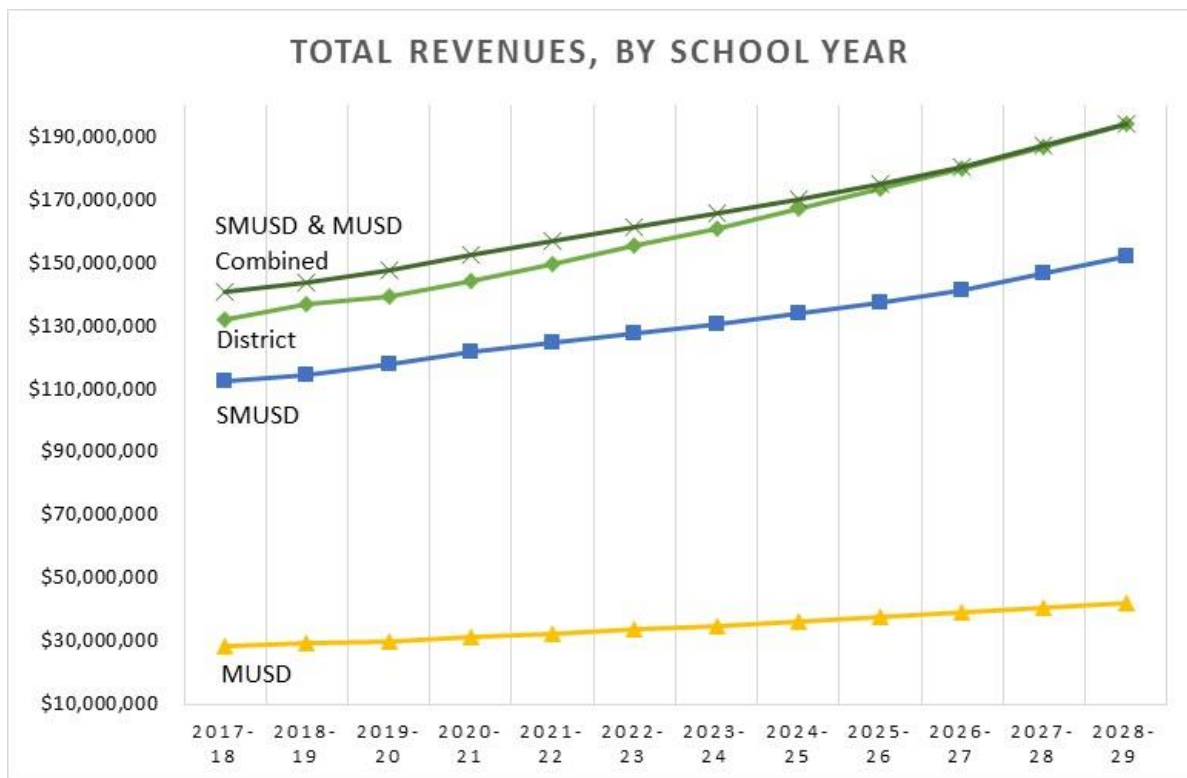
- Because Malibu accounts for one-third of the local property tax revenues and 17% or less of the students, MUSD benefits from higher per pupil funding with local revenues significantly exceeding the state funding formula entitlement for the district—MUSD is a basic state aid school district
- Additional state aid flowing to a newly formed SMUSD needed to support the SMUSD state funding entitlement helps mitigate the loss of property tax revenues in the near term for SMUSD students
- SMUSD also may experience near term per-pupil gains in funding when compared with the existing District because it retains much of the other local revenues that currently accrue to the District from, for example, the Santa Monica local-option sales and use tax increment
- In the longer term, our baseline forecast of growth in local property tax revenues overtakes the state funding formulas for all district configurations in 2026-27, so the benefits of additional state aid diminish until differences in state aid are no longer a factor—the exception being if annual average property tax revenue growth is low and/or state LCFF increases are high¹
- Because at a point in the future state aid is no longer a factor under our baseline forecast, the longer term revenues are zero sum—combined revenues for SMUSD and MUSD will not be more or less than the revenues that would otherwise be available to the existing District
- When looking only at revenues, in the longer term under our baseline forecast of a reorganization one district's gain is another district's loss—only if additional state aid remains

¹ We view our low growth scenario of a 3% annual average increase in property taxes as unlikely.

a factor, such as under a conservative local revenue growth scenario or very optimistic forecast of increasing state aid, would this not hold true

- In a zero sum game governing the division of revenues, MUSD’s smaller size relative to SMUSD means that a swing of one dollar up or down in average revenues per pupil for SMUSD will have a four to five times larger impact, in the opposite direction, on MUSD

The following graph² of total revenues for the District, SMUSD, MUSD, and the combined revenues of SMUSD and MUSD over the forecast period depicts both the impact of the additional state aid in the near term, and the gradual loss of that augmentation as local revenue growth overshadows state funding provided through the LCFF in the longer term. The top line of the graph shows the combined revenues from reorganizing into a SMUSD and MUSD, compared with the line below it which shows District revenues over the same period. The difference between the two lines is the additional state aid that would accrue under a reorganization. The graph shows that this difference diminishes and, ultimately, disappears over time.



This analysis quantifies the financial effects on revenues of the proposed reorganization of the District both in the near term and the longer term, and under several scenarios. More importantly,

² Total revenues include LCFF, other local revenues, and the additional revenue sources identified in the Other Revenues—Supplemental Analysis Section of this report.

it identifies the factors to which the state revenue formula is most sensitive for each of the alternative district configurations, providing guidance on a pathway forward to achieve a workable and equitable division of resources upon a reorganization of the District.

We believe our analysis shows that there is some financial flexibility under a proposed reorganization to balance the financial impact on SMUSD and MUSD in the future. Our analysis supports that this balancing may be best achieved through a formula-based approach because of the demonstrated sensitivity of future revenues to variation in factors that may be difficult to predict with accuracy. Such a formula should be relatively simple so that it is understandable to community stakeholders, and it should be based on factors that are generally outside of a school district's capacity to individually influence or control. In addition, because in the longer term the impact of a reorganization based solely on unrestricted revenues is likely to be zero sum, the division of other assets may become important considerations in determining an overall equitable balance of resources among the reorganized districts.

Method and Assumptions

To allow for comparative consistency with past work, we maintain some of the same factors used in previous reorganization feasibility studies. We have used the same proportional allocation of property tax revenue between SMUSD (66.4%) and MUSD (33.6%). We also maintained the same proportional distribution of average daily attendance (ADA) at 83.3% for SMUSD and 16.7% for MUSD, as well as the division of students eligible for LCFF supplemental grants. We did, however, also determine the division of enrolled students using 2015-16 enrollment data among the schools that would be served by SMUSD and MUSD and found that the percentage of students in MUSD schools is now lower than in prior years³. Our forecast shows that MUSD is projected to be funded primarily from local property tax revenues, becoming a basic aid school district. Basic aid school districts are impacted by enrollment changes differently than school districts that are primarily state funded, and we have, therefore, also modeled both a lower and higher proportion of students attending MUSD schools to assess the sensitivity of MUSD's revenues to shifts in ADA.

Our forecast provides insights about the effects on the three different district configurations—the existing District, SMUSD and MUSD—of the major unrestricted General Fund revenue drivers for public schools: property tax growth, the rules governing the calculation of LCFF funding, and the distribution of other revenue sources. We believe that our forecast is reasonable and analytically supportable, and later sections of this report document why. Nonetheless, it is important to understand the estimates and assumptions upon which our forecast is based, as

³ 2015-16 attendance reports show that SMUSD schools account for 84.1% and MUSD schools account for 15.9% of total SMMUSD enrollment, respectively.

different assumptions would yield different results. In addition to those noted in the previous paragraph, our forecast is based on the following factors:

- Because of relatively high local property tax revenues received by the District and the interaction of property tax revenues with the LCFF calculation, the District and the proposed reorganized school districts are particularly sensitive to changes in local revenues. We have established a near-term and long-term baseline forecast for the LCFF using change in property tax revenues for each district configuration based on an analysis of recent changes in assessed value. This results in average annual growth rates of 4.78% for the District, 5.04% for SMUSD, and 4.22% for MUSD. In addition to our baseline forecast, we have modeled the effect of two alternative property tax growth scenarios—low growth of 3% annually and higher growth of 6% per year for each of the district configurations.
- The District receives additional local revenues from the tax increment that formerly accrued to the Redevelopment Agency (RDA) within its boundaries. All revenues received from that source are credited to SMUSD under a reorganization. During the forecast period we increase post-RDA income by the SMUSD annual average increase to local property taxes.
- The percentage of students enrolled in a district who are English learners, from low-income families, or foster youth determines the additional revenues a school district receives through the supplemental grant provisions of the LCFF. The SMUSD attendance area includes a higher proportion of eligible pupils than MUSD relative to enrollment, so SMUSD has a higher Unduplicated Pupil Percentage (UPP) than the District. We use an estimated UPP of 32.25% of enrollment for SMUSD and 12.97% for MUSD in each year of the forecast.
- We assume the provisions of current law will govern future LCFF calculations, including expiration of temporary tax revenues to the Education Protection Account (EPA) (Proposition 30) after 2018. However, we do comment on the effect of Proposition 55 if it is approved by voters on the November 2016 ballot, which would extend the temporary tax on high income earners through 2030.
- We assume full implementation of the LCFF beginning in 2020-21, consistent with Governor Jerry Brown's stated intent. We use the most recent Department of Finance (DOF) estimates of LCFF funding during the transition to full implementation, and assume that the LCFF grows annually thereafter by a statutory cost-of-living adjustment (COLA), estimated at 2.67%.
- The District's LCFF minimum state aid is \$8,585,843. We have assumed a proportional division of minimum state aid based on the allocation of student enrollment and ADA among the school districts, with 83.3%, or \$7,152,007, to SMUSD and 16.7%, or \$1,433,836, to MUSD.

Summary of the Forecast

The Santa Monica-Malibu Unified School District

The District currently flirts with allocations of LCFF state aid that are at the minimum level required by law. While local property tax revenue that offsets state aid does not exceed the District's LCFF entitlement—if it did, the District would be a basic aid school district—local taxes are in some years sufficient to assure that the District's actual allocation of state aid would be higher than the District's calculated LCFF entitlement to state aid. We expect that this will continue in future years, with the District receiving additional revenues above the District's LCFF calculated entitlement through the minimum state aid provision (a "minimum state aid" district). Under our baseline forecast we foresee the District being in a minimum state aid status beginning in 2017-18.

Largely driven by growth in local revenues, the District as it is currently configured will almost certainly become a "basic aid" school district in the future. A basic aid school district is a state-centric term for school districts largely funded from local property tax revenues. Basic aid school districts must receive the constitutionally required minimum amount of state aid, called basic state aid, irrespective of how much revenue is received from local taxes. We anticipate that the District will become a basic state aid school district in 2023-24, assuming our baseline estimates of growth in property tax revenues and the LCFF.

Basic aid school districts are more accurately known as community-funded school districts, and we will use both terms synonymously in this report.

The Santa Monica Unified School District

SMUSD would retain more than 80% of the students but generates only about two-thirds of the property tax revenue that currently accrues to the District. With decreased revenues per ADA from local property taxes, SMUSD becomes a state aid school district in the near term. A state aid school district, as used in this report, is a district that through its calculated LCFF entitlement will receive more state aid than the LCFF minimum state aid required by law.

When compared with the District, which during the forecast period is either in minimum state aid status or basic aid status, SMUSD would experience a loss in LCFF per-pupil revenues during the four-year period 2017-18 through 2020-21 from \$141 to \$391 under our baseline forecast assumptions. Offsetting this reduction are per-pupil gains from other revenue sources that will be retained in whole or in part by SMUSD. The net impact of the reorganization during the first four years is relatively minor, varying from a slight gain per ADA in some years to a loss in others, with the highest loss in net revenues being \$130 per ADA in one year.

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The longer term forecast from 2021-22 through 2028-29 shows SMUSD experiencing a growing gap in net revenues when compared with revenues for the District, with that gap increasing from approximately \$200 per ADA in 2021-22 to more than \$1,300 per ADA in 2028-29—a relative loss of \$1.8 million growing to more than \$11 million in total revenue annually.

Over that period, SMUSD also is projected to move from state aid status to minimum state aid in 2026-27, and, if the same trends continue, would become a basic aid school district at some point in the following decade.

The Malibu Unified School District

MUSD would begin life as a basic state aid school district, largely funded through local property tax revenues. With less than 17% of the students but one-third of the property tax base of the existing district, MUSD property taxes will exceed the MUSD calculated LCFF entitlement in each year of our forecast.

Over the 2017-18 through 2020-21 period, MUSD would see an increase in LCFF per-pupil funding when compared with the District of \$5,046 to \$6,342 per ADA. These increases are partially offset by losses in per-pupil funding resulting from retention by SMUSD of many of the other local revenue sources, such as the city of Santa Monica sales tax Proposition Y funds and the Santa Monica joint use revenues. Absent a new Malibu voter-approved parcel tax to continue the existing parcel tax revenue from Measure R, MUSD will lose more than \$1,000 per ADA in other local revenue. With these offsetting reductions, the net gain for MUSD is estimated at \$2,541 to \$2,954 over the four-year period.

The longer term forecast shows MUSD continuing as a basic aid school district, with net revenues above current funding levels growing from \$3,094 per ADA in 2021-22 to \$4,225 per ADA in 2028-29, a gain of \$5.4 million to \$7.4 million.

The revenues of community-funded school districts like MUSD that rely primarily on local property taxes for their unrestricted resources are insensitive to changes in enrollment, in contrast to state aid school districts that receive additional funding for each new student enrolled. Since MUSD revenues in any given year are fixed by the level of property taxes collected, an increase of enrollments driving higher ADA for MUSD results in a decrease in average funding per pupil. Conversely, reductions of ADA at MUSD will result in corresponding increases to revenues per pupil. This makes the level of MUSD gains or losses particularly sensitive to changes of enrollment. For example, we modeled the impact of increasing the allocated share of ADA to 19% on MUSD funding per pupil. Over the initial four-year period of our forecast, this percentage enrollment increase would cut the net per-ADA gain for MUSD to a range of \$1,174 to \$1,358 per ADA for the 2017-18 through 2020-21 period, compared with \$2,541 to \$2,954 under our baseline estimates. We also looked at the impact of a reduction in the proportion of ADA allocated to

MUSD, to 15.9%, the 2015-16 percentage of enrollment for the MUSD schools. As expected, this resulted in an increase in the net gain during the first four-year forecast period, from \$3,186 to \$3,683 per ADA.

State Costs

Our baseline forecast shows net state costs resulting from the establishment of an SMUSD and MUSD ranging from \$7 million to \$9 million annually during the first four years of a reorganization, beginning in 2017-18. The increase in state costs is due to additional state aid that is needed for the LCFF in SMUSD as result of the loss of Malibu property tax revenues. However, net state costs fall annually thereafter, and are eliminated by 2026-27 under our baseline forecast as local property tax growth moves SMUSD toward minimum state aid and then basic state aid status in the future, and in the process reduces state LCFF expense.

Alternative Scenarios

We assessed the effect on our baseline forecast of assuming both higher and lower average annual growth in property tax revenues, using a 6% annual increase in property tax revenues for the more optimistic forecast, and 3% annual growth to reflect a very conservative forecast.

Optimistic Property Tax Growth Scenario—6%

A 6% growth factor for property tax revenues, higher than our average baseline forecast growth of 4.78%, increases funding for MUSD, increases the annual gap in funding for SMUSD when compared with the District, and increases funding for the District above its calculated LCFF entitlement, moving the District to basic state aid status more quickly. SMUSD also reaches basic state aid status sooner, and state costs are reduced and ultimately eliminated at a faster rate.

Conservative Property Tax Growth Scenario—3%

As expected, slower property tax growth has consequences that are the reverse of faster growth. We used 3% as our “slow growth” factor, and it causes the District to remain a state aid district for much of the forecast period, moving to minimum state aid only in the final years. SMUSD does not become a basic aid school district during the forecast period under a slow property tax growth scenario, and relative to the District’s now lower growth rate, actually experiences an increase in per-pupil funding due to the retention of other local revenues within the District. MUSD remains a basic state aid district, even under a slow property tax growth scenario, but because lower growth significantly reduces property tax revenues in excess of MUSD’s calculated LCFF entitlement then MUSD’s gain from a reorganization would be less.

The Revenue Forecast


The LCFF Model

Beginning with the LCFF calculator spreadsheet used by the District for budgeting and multiyear forecasts, SSC staff developed a model that we then used to estimate future allocations of state and local revenue for the District and the proposed SMUSD and MUSD⁴. The model uses as its starting point LCFF funding for the District as determined by the California Department of Education for the June 2015-16 Second Principal Apportionment, adjusted for actual local property tax revenues and RDA trust fund distributions received by the District as of July 6, 2016.

Other Local Revenues⁵

The District receives a significant amount of additional resources that are outside of the state LCFF system. Unlike property taxes, these revenues do not offset state aid and are provided in addition to funds received from other state and federal sources.

Other local revenues include a parcel tax, a locally approved sales tax increment, joint-use facilities revenues from the cities of Santa Monica and Malibu, and donations from a school district education foundation. In a reorganization of the District, these revenue streams would divide in different ways among a Santa Monica and a Malibu school district.

 **Proposition Y** is a measure approved by more than 60% of the voters in Santa Monica on November 2, 2010, increasing the sales tax for the city of Santa Monica “. . . to offset severe state budget cuts, protect and stabilize city finances, and maintain essential services including: police, fire, paramedic and emergency 911 response, school, educational and afterschool programs, public transit, services for the disabled, gang and drug prevention programs, environmental, library and other general fund services, by enacting a city of Santa Monica half cent transactions and use tax.”


On the same ballot, Measure YY posed a “Santa Monica Sales Tax Proceeds for Schools Advisory Question.” Measure YY was a companion measure to Measure Y, which raised the city’s sales tax from 9.75% to 10.25%. The advisory question asked voters if they thought that 50% of the approximately \$12 million that the sales tax hike was estimated to generate annually

⁴ Our forecast of District revenues and the proposed reorganization is based on the factors and assumptions documented in the Modeling and Revenue Forecasting Assumptions section of this report.

⁵ Following our initial review, members of the Committee requested that the report be amended to include three additional sources of local revenue: ground lease revenues; a proposed local option sales and use tax in Santa Monica; and continuation of a parcel tax in Malibu. The Other Revenues—Supplemental Analysis section provides information on the effect of these revenue sources.

should be earmarked to support public education in the city. Both measures were approved. Proposition Y currently provides approximately \$8 million per year to the District.

In a division of existing revenues, allocations resulting from Proposition Y would continue to flow to SMUSD, and would not be shared with MUSD since the increased sales tax applies only to city of Santa Monica transactions. As a result, SMUSD would see an increase in funding per ADA attributable to the sales tax revenues since the revenue stream would remain the same and ADA for a Santa Monica-only school district would decline by approximately 17% under the reorganization. We estimate the net impact of this change would be to increase per-pupil revenues for a new SMUSD by approximately \$170, and reduce revenues for MUSD by \$800 per ADA.

 **Measure R**, adopted by an overwhelming majority of the voters in Santa Monica and Malibu on February 5, 2008, combined two existing school parcel taxes into a single tax, intended “. . . to preserve quality schools despite inadequate state funding, and prevent program cuts.” Funds were intended to be used to retain highly qualified teachers and reduce class size; protect excellence in math, science, technology, arts, music, and reading; and sustain libraries. At the time of adoption, the parcel tax was \$346 per year, to be adjusted annually for inflation (the All Urban Consumer Price Index [CPI]), and was expected to generate approximately \$12 million of additional revenues for the District. We use an estimate of 2.36% for the annual change in the CPI when determining future revenues from Measure R.

For the SMUSD, total Measure R parcel tax revenues would be reduced by the loss of the Malibu parcels and those in the unincorporated area surrounding the city of Malibu. Based on the number of parcels in Santa Monica and the 2016-17 tax rate of \$386 per parcel, we estimate that SMUSD would receive approximately \$8.3 million from Measure R revenues were the reorganization to occur in the current year. This compares with estimated revenues from Measure R for the existing District of \$11.5 million in the current year. Because the parcel tax revenues for a newly formed SMUSD would be approximately 73% of the total current Measure R revenues, but SMUSD would retain about 83% of the ADA, then revenues per pupil in SMUSD from Measure R would decline by approximately \$150 per ADA under current tax rates.

As previous analyses have concluded, existing law regarding the division of assets and liabilities is unclear about the treatment of voter-approved parcel tax revenues, and Malibu is likely to need to adopt a new parcel tax to make up for revenue that would otherwise have been generated through Measure R if that revenue is needed for the new unified school district. Absent continuation of the parcel tax in Malibu, MUSD would face a reduction of \$1,100 to \$1,200 per pupil from lost parcel tax revenues.

✚ **“Joint Use” Revenues**—The city of Santa Monica currently provides the District with about \$9 million annually through joint use facilities agreements. That funding would be retained in whole within the SMUSD, and, when compared with the per-pupil average revenues from this source for the existing District, SMUSD revenues per ADA would increase by at least \$175. The loss of these revenues to the MUSD would reduce per-pupil funding by more than \$860.

Conversely, retention by MUSD of the full \$200 thousand in facilities-related revenues from the city of Malibu would increase funding by about \$95 per ADA, with SMUSD experiencing a corresponding loss per pupil of \$19.

✚ **The Santa Monica-Malibu Education Foundation (SMMEF)**—The District budget reflects \$2.5 million in annual revenues from various fundraising activities that contribute to the SMMEF. We have allocated the full \$2.5 million to SMUSD, increasing SMUSD per-pupil funding by about \$50 and decreasing MUSD revenues by \$250 per ADA, with the understanding that MUSD may establish a separate education fund in the future.

Findings

We divided our estimation of the financial impact of reorganizing the District into two parts. We first looked at the immediate future, from the first year a reorganization would be effective, which we set at 2017-18, through the planned full implementation of the LCFF in 2020-21. We used the most current published factors that affect LCFF implementation, outlined in detail in the LCFF Factors and Assumptions section of this report, and recent information about other local revenues to forecast changes in the LCFF and other revenue sources during this four-year period.

We also extended our forecast for eight more years, through 2028-29. Beginning with 2021-22, the first year after the assumed full implementation of the LCFF, the LCFF entitlement for every school district will be based on target grant amounts that change annually only by a statutory inflation adjustment. For that eight-year period we simplified the analysis by maintaining the same annual COLA percentage and percentage increase in local property tax revenues, the two key drivers of calculated state aid under the LCFF.

Our baseline forecast sets the annual increase to LCFF grants during this period at 2.67% for the three district configurations. The annual increase to property tax revenue for the District is 4.78%; for SMUSD it is 5.04%; and for MUSD it is 4.22%.

The Short-Term Forecast, 2017-18 through 2020-21

The following three tables display our estimates of LCFF and other local revenues for each of the years 2017-18 through 2020-21 for the District, SMUSD and MUSD.

The tables display the following information from our forecasting model for each of the school district configurations:

- ADA for each year, which is held constant during the forecast period⁶
- LCFF state aid, the amount of state funding that the LCFF would provide in each year
- The amount of minimum state aid, if any
- The EPA funding in 2017-18 and 2018-19, after which it expires
- Property tax revenue and RDA funds

The sum of these five revenue sources is shown in “Subtotal, LCFF Revenues”—the total LCFF entitlement, which is the amount of funding each district would receive through the LCFF.

- “LCFF Calculated Funding” is the amount that the LCFF calculation determines a school district should receive before EPA and local revenues are applied and before minimum state aid is determined
- The “Amount Above Calculated Funding” is the difference between the LCFF Calculated Funding and LCFF Revenue—the amount received by a district over and above its LCFF its calculated LCFF entitlement

For a school district that is state aid funded the Amount Above Calculated Funding will be zero. It is a positive amount when a school district is minimum state aid or basic state aid.

The remaining rows in each of the first three tables display five sources of other local revenues received by the District, or as forecast to be distributed among SMUSD and MUSD. The effect of a reorganization on these revenue sources, along with the distribution of LCFF funding, is the focus of this analysis and are taken into account when determining the net impact on revenues that results from a reorganization. The tables show the forecast in total dollars and per ADA.

⁶ We do, however, vary the distribution of ADA among the district configurations to assess the impact of ADA change on funding, specifically for MUSD as a basic aid school district.

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Under our forecast assumptions, Table 1 shows that LCFF funding for the District during the period is based on minimum state aid, which provides an amount above the LCFF calculated funding level. The amount above calculated funding varies across the four-year implementation period between \$1.5 million and \$4.1 million.

Table 1 Santa Monica-Malibu USD Revenues by Source Fiscal Years 2017-18 through 2020-21								
	2017-18		2018-19		2019-20		2020-21	
	Amount	Per ADA	Amount	Per ADA	Amount	Per ADA	2020-21	Per ADA
Average Daily Attendance (ADA)	10,462		10,462		10,462		10,462	
LCFF State Aid	\$7,077,580	\$677	\$4,494,943	\$430	\$5,905,997	\$565	\$5,238,154	\$501
Minimum State Aid	\$1,508,263	\$144	\$4,090,900	\$391	\$2,679,846	\$256	\$3,347,689	\$320
Education Protection Account (EPA)	\$2,092,400	\$200	\$2,092,400	\$200	-		-	
Property Tax*	\$68,664,238	\$6,563	\$71,946,389	\$6,877	\$75,385,426	\$7,206	\$78,988,849	\$7,550
Redevelopment Agency (RDA) Distributions	\$10,928,942	\$1,045	\$11,377,921	\$1,088	\$11,710,654	\$1,119	\$12,270,424	\$1,173
Subtotal, LCFF Revenue	\$90,271,423	\$8,629	\$94,002,553	\$8,985	\$95,681,923	\$9,146	\$99,845,116	\$9,544
LCFF Calculated Funding	\$88,763,160	\$8,484	\$89,911,653	\$8,594	\$93,002,077	\$8,890	\$96,497,427	\$9,224
Amount Above Calculated Funding	\$1,508,263	\$144	\$4,090,900	\$391	\$2,679,846	\$256	\$3,347,689	\$320
% Above	1.70%		4.55%		2.88%		3.47%	
Santa Monica-Malibu Education Foundation (SMMEF)	\$2,500,000	\$239	\$2,500,000	\$239	\$2,500,000	\$239	\$2,550,000	\$244
Parcel Tax - Measure "R"	\$11,795,497	\$1,127	\$12,089,205	\$1,156	\$12,374,510	\$1,183	\$12,666,548	\$1,211
Measure "YY"	\$8,200,000	\$784	\$8,400,000	\$803	\$8,600,000	\$822	\$8,772,000	\$838
City of Santa Monica	\$9,000,000	\$860	\$9,200,000	\$879	\$9,400,000	\$898	\$9,588,000	\$916
City of Malibu	\$200,000	\$19	\$200,000	\$19	\$200,000	\$19	\$204,000	\$19
TOTAL REVENUES	\$121,966,920	\$11,658	\$126,391,758	\$12,081	\$128,756,433	\$12,307	\$133,625,664	\$12,772

*Assumes annual property tax growth of 4.78%

Assumes LCFF growth of 2.67% annually beginning in 2019-20

Assumes 2017-18 as the earliest first year of reorganization

The District also is estimated to receive \$32 million or more from other local revenues in each year of this four-year forecast period, providing a significant increase in discretionary revenues for the District from sources other than the LCFF.

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Table 2 shows estimated revenues for SMUSD, which would be a solidly state aid school district with local property taxes falling short of the LCFF entitlement by about \$28 million annually. SMUSD retains all of the school distributions from the former Santa Monica redevelopment agency, but the retention of RDA distributions simply offsets state aid for the district. The estimated LCFF state aid, averaging about \$15 million in each year of the four-year forecast period, significantly exceeds the estimated minimum state aid for SMUSD of \$7,152,007.

Table 2 Santa Monica USD Revenues by Source Fiscal Years 2017-18 through 2020-21								
	2017-18		2018-19		2019-20		2020-21	
	Amount	Per ADA	Amount	Per ADA	Amount	Per ADA	2020-21	Per ADA
ADA	8,715		8,715		8,715		8,715	
LCFF State Aid	\$15,891,329	\$1,823	\$14,095,862	\$1,617	\$15,628,550	\$1,793	\$15,462,027	\$1,774
Minimum State Aid	-		-		-		-	
Education Protection Account	\$1,742,968	\$200	\$1,742,968	\$200	-		-	
Property Tax*	\$45,819,602	\$5,258	\$48,128,910	\$5,523	\$50,554,607	\$5,801	\$53,102,559	\$6,093
RDA Distributions	\$10,928,942	\$1,254	\$11,377,921	\$1,306	\$11,710,654	\$1,344	\$12,300,871	\$1,411
Subtotal, LCFF Revenue	\$74,382,842	\$8,535	\$75,345,661	\$8,646	\$77,893,812	\$8,938	\$80,865,457	\$9,279
LCFF Calculated Funding	\$74,382,842	\$8,535	\$75,345,661	\$8,646	\$77,893,812	\$8,938	\$80,865,457	\$9,279
Amount Above Calculated Funding	-		-		-		-	
% Above	-		-		-		-	
SMMEF	\$2,500,000	\$287	\$2,500,000	\$287	\$2,500,000	\$287	\$2,550,000	\$293
Parcel Tax - Measure "R"	\$8,492,758	\$975	\$8,704,228	\$999	\$8,909,648	\$1,022	\$9,119,916	\$1,046
Measure "YY"	\$8,200,000	\$941	\$8,400,000	\$964	\$8,600,000	\$987	\$8,772,000	\$1,007
City of Santa Monica	\$9,000,000	\$1,033	\$9,200,000	\$1,056	\$9,400,000	\$1,079	\$9,588,000	\$1,100
TOTAL REVENUES	\$102,575,600	\$11,770	\$104,149,889	\$11,951	\$107,303,460	\$12,313	\$110,895,373	\$12,725

*Assumes annual property tax growth of 5.04%

Assumes LCFF growth of 2.67% annually beginning in 2019-20

Assumes 2017-18 as the earliest first year of reorganization

Table 2, above, also shows the allocation of other local revenues to SMUSD, which gains the majority of continued funding from the sales tax increment, the parcel tax, the joint use revenues, and the education foundation. Other local revenue provides over \$3,000 per ADA for the SMUSD over and above the LCFF calculated funding of the district.

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Table 3 displays revenue estimates for MUSD. MUSD would have high property tax revenues relative to its calculated LCFF entitlement, and so becomes a community-funded, or basic aid, school district. All of the district's LCFF state aid comes from the minimum state aid component of the formula, accounting for about \$1.4 million annually in state funding. When combined with property tax allocations, LCFF revenues provide more than \$14 thousand per ADA, compared with calculated LCFF funding of \$8 thousand to \$9 thousand per ADA for the district.

Table 3 Malibu USD Revenues by Source Fiscal Years 2017-18 through 2020-21								
	2017-18		2018-19		2019-20		2020-21	
	Amount	Per ADA	Amount	Per ADA	Amount	Per ADA	2020-21	Per ADA
ADA	1,747		1,747		1,747		1,747	
LCFF State Aid	-		-		-		-	
Minimum State Aid	\$1,433,836	\$821	\$1,433,836	\$821	\$1,433,836	\$821	\$1,433,836	\$821
Education Protection Account	\$349,432	\$200	\$349,432	\$200	-	-	-	-
Property Tax*	\$22,825,234	\$13,064	\$23,788,459	\$13,616	\$24,792,332	\$14,190	\$25,838,568	\$14,789
RDA Distributions	-		-		-		-	
Subtotal, LCFF Revenue	\$24,608,502	\$14,085	\$25,571,727	\$14,636	\$26,226,168	\$15,011	\$27,272,404	\$15,610
LCFF Calculated Funding	\$14,405,735	\$8,245	\$14,581,273	\$8,346	\$15,062,149	\$8,621	\$15,632,291	\$8,947
Amount Above Calculated Funding	\$10,202,767	\$5,840	\$10,990,454	\$6,290	\$11,164,019	\$6,390	\$11,640,113	\$6,662
% Above	70.82%		75.37%		74.12%		74.46%	
SMMEF	-		-		-		-	
City of Malibu	\$200,000	\$114	\$200,000	\$114	\$200,000	\$114	\$204,000	\$117
TOTAL REVENUES	\$24,808,502	\$14,199	\$25,771,727	\$14,751	\$26,426,168	\$15,125	\$27,476,404	\$15,726

*Assumes annual property tax growth of 4.22%
Assumes LCFF growth of 2.67% annually beginning in 2019-20
Assumes 2017-18 as the earliest first year of reorganization

Although MUSD experiences a significant increase in per pupil funding through its large share of property tax revenues, it does not retain most of the other local revenue streams that currently accrue to the District. It is expected that MUSD would need to reauthorize a parcel tax to continue to receive parcel tax revenue, so none is shown in this table. In addition, most of the District's other local revenue sources—local option sales tax, joint use revenues, education foundation donations—would stay with SMUSD and not MUSD.

If MUSD were to be successful in gaining approval of a parcel tax equivalent to the Measure R parcel tax level (currently \$386 per parcel) it would gain more than \$3 million of additional revenues.

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Change in Revenues Under a Reorganization

The effect of the change in district organization is best shown through a comparison of changes in revenue sources on a per-ADA basis. The following two tables show the difference between the estimated revenues per ADA from each revenue source for the District shown in Table 1, and the same revenue sources per ADA for both the SMUSD from Table 2, shown below in Table 4, and MUSD from Table 3, shown below in Table 5.

Table 4 shows that SMUSD is affected by the loss of minimum state aid, but that this loss is at least partially offset by per-ADA gains from other revenue sources that will continue to accrue to SMUSD after a reorganization. In some years there is a loss and in others a slight gain in SMUSD per-pupil revenues during this four-year period.

Table 4 Per-ADA Change: Santa Monica USD from Santa Monica-Malibu USD Revenues by Source Fiscal Years 2017-18 through 2020-21				
	2017-18	2018-19	2019-20	2020-21
LCFF State Aid	\$1,147	\$1,188	\$1,229	\$1,274
Minimum State Aid	-\$144	-\$391	-\$256	-\$320
EPA	-	-	-	-
Property Tax*	-\$1,306	-\$1,354	-\$1,405	-\$1,457
RDA Distributions	\$209	\$218	\$224	\$239
Subtotal, LCFF Revenue	-\$93	-\$339	-\$208	-\$265
LCFF Calculated Funding	\$51	\$52	\$49	\$55
Amount Above Calculated Funding	-\$144	-\$391	-\$256	-\$320
% Above				
SMMEF	\$48	\$48	\$48	\$49
Parcel Tax - Measure "R"	-\$153	-\$157	-\$160	-\$164
Measure "YY"	\$157	\$161	\$165	\$168
City of Santa Monica	\$172	\$176	\$180	\$184
City of Malibu	-\$19	-\$19	-\$19	-\$19
Change, TOTAL REVENUES	\$112	-\$130	\$6	-\$48

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Table 5 displays the per-ADA differences for MUSD, showing large gains from additional local property tax revenues that are significantly offset by the loss of other local revenue. In particular, the suspension of the existing parcel tax reduces per-pupil funding by more than \$1,000. However, restoration of an equivalent parcel tax, if proposed and approved by Malibu voters, would more than offset this loss. In net under our baseline assumptions, the establishment of a separate MUSD would increase per-pupil funding for students in the MUSD by \$2,500 to \$3,000 per ADA during the four-year period of this forecast.

Table 5 Per-ADA Change: Malibu USD from Santa Monica-Malibu USD Revenues by Source Fiscal Years 2017-18 through 2020-21				
	2017-18	2018-19	2019-20	2020-21
LCFF State Aid	-\$677	-\$430	-\$565	-\$501
Minimum State Aid	\$677	\$430	\$565	\$501
EPA	-	-	-	-
Property Tax*	\$6,501	\$6,739	\$6,984	\$7,239
RDA Distributions	-\$1,045	-\$1,088	-\$1,119	-\$1,173
Subtotal, LCFF Revenue	\$5,456	\$5,651	\$5,865	\$6,066
LCFF Calculated Funding	-\$239	-\$248	-\$269	-\$276
Amount Above Calculated Funding	\$5,695	\$5,899	\$6,134	\$6,342
% Above				
SMMEF	-\$239	-\$239	-\$239	-\$244
Parcel Tax - Measure "R"	-\$1,127	-\$1,156	-\$1,183	-\$1,211
Measure "YY"	-\$784	-\$803	-\$822	-\$838
City of Santa Monica	-\$860	-\$879	-\$898	-\$916
City of Malibu	\$95	\$95	\$95	\$97
Change, TOTAL REVENUES	\$2,541	\$2,670	\$2,818	\$2,954

The Long-Term Forecast, 2021-22 through 2028-29

As previously described, we have simplified the long-term forecast by maintaining a fixed percentage of annual increases to LCFF base grants and property tax revenues. We also hold ADA constant at the estimate of 2019-2020 ADA. Minimizing variability from other sources allows us to see the effect of the key factor in revenue changes for each school district configuration. Holding these factors constant means that comparative changes in revenues among the three district configurations reflect the annual change in the relationship between growth in the LCFF target entitlements and growth in offsetting local property tax revenues.

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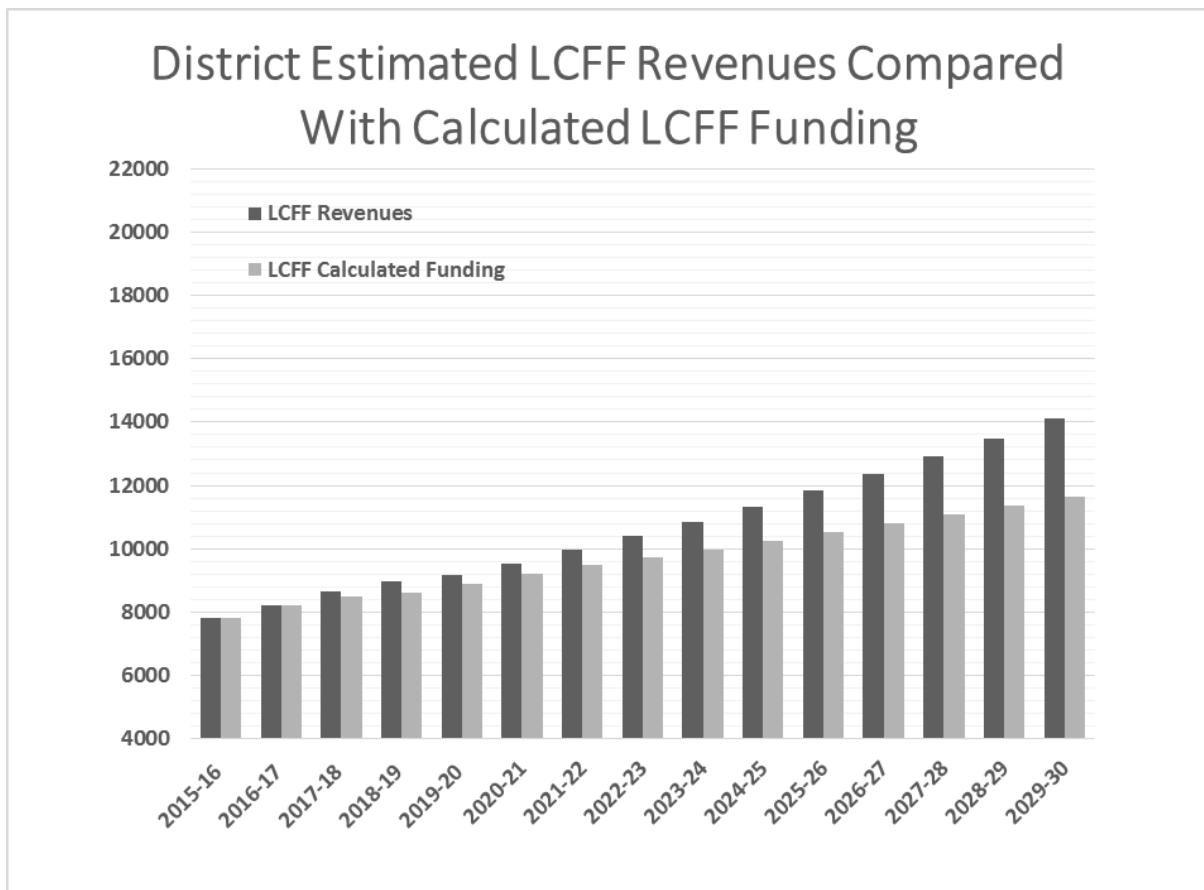
The following three graphs display the relationship between the calculated LCFF funding and actual LCFF funding for each of the three district configurations. Actual LCFF funding will equal the calculated LCFF funding when local revenues are sufficiently below the LCFF calculated amount so that the minimum state aid or basic aid provisions of state law are not triggered.

Once minimum state aid or basic aid come into play because of high local revenue compared to the LCFF calculated entitlement, then actual LCFF funding will be higher than the calculated LCFF amount.

The Santa Monica-Malibu Unified School District

Graph 1 shows that the District becomes minimum state aid funded in 2017-18, and becomes a fully community-funded (basic aid) school district in 2023-24 as local revenue growth completely overtakes growth in the LCFF target, providing additional revenues from local property taxes over and above the LCFF entitlement of the District.

Graph 1



Santa Monica-Malibu Unified School District

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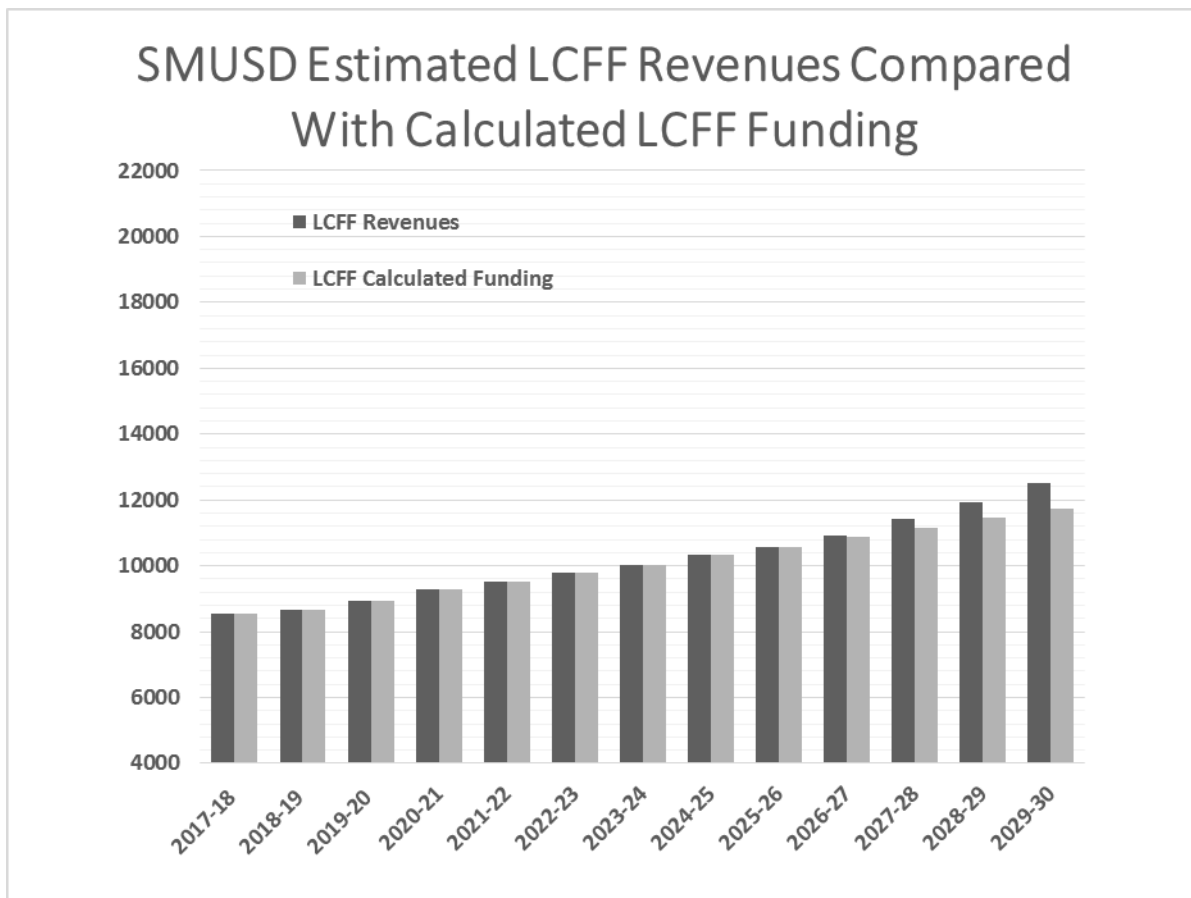
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The difference between the calculated LCFF entitlement and actual LCFF funding is attributed to the receipt of higher property tax revenues, and the state terms this difference to be “excess” taxes. What factors in our forecast affect the level of excess taxes for any of the three district configurations? If the state grows the LCFF at a faster rate, providing higher annual increases, then the excess taxes will be reduced or eliminated. If local property tax revenues grow faster, then excess taxes will also grow faster and may appear in the forecast sooner. Conversely, slower property tax growth reduces the level of excess taxes.

The Santa Monica Unified School District

Graph 2 displays the same information as Graph 1, but for SMUSD. Although immediately post-reorganization the district is state funded, average annual compounded growth in local property taxes exceeds growth in the LCFF entitlement and SMUSD would, under these forecast assumptions, become a minimum state aid district beginning in 2026-27, ultimately becoming a basic aid school district in the future.

Graph 2

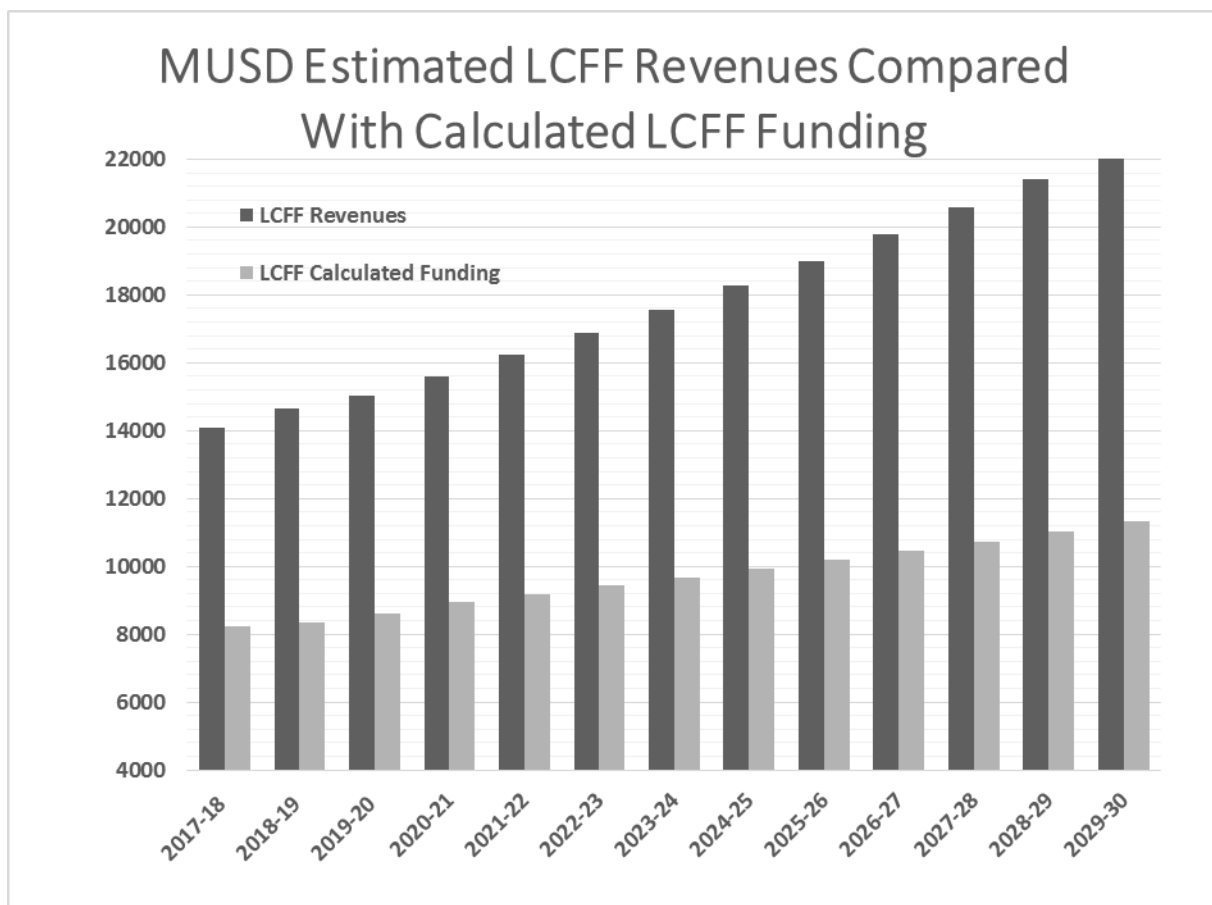


The Malibu Unified School District

Graph 3 shows that MUSD would begin reorganization as a solidly community-funded district, dependent on local revenues as the primary source of support. As a community-funded school district, MUSD would face the unique opportunities and challenges that come when primary funding is most sensitive to local, rather than state, budget constraints.

Among those challenges is managing district operations as enrollment changes. We have modeled the effect of applying a different division of enrollment between Santa Monica schools and Malibu schools. Unlike state aid school districts, which earn additional funding for each additional student and lose funding for each student lost, the revenues of community-funded school districts are insensitive to changes in student enrollment. Revenues do not increase when new students come into the district, nor do they decline when students leave.

Graph 3



As a result, an increase in the number of enrolled students will reduce the average funding per pupil available to serve all students in the district. Conversely, a reduction in students served by MUSD will increase the average funding per pupil.

Long-Term Revenue Impact

The loss of the Malibu property tax base and the compounding effect of property tax growth becomes the primary driver of growing differences in funding for SMUSD when compared with the District. However, these differences can vary significantly with variations in the rate of assumed property tax growth. Table 7 in the following Sensitivity to Changing Factors section shows the difference in total revenues per ADA for SMUSD and MUSD when compared with the District under our (1) baseline forecast, (2) a low property tax growth scenario, and (3) a higher property tax growth scenario during the 12-year forecast period.

Change in State Aid

Over the 2017-18 through 2020-21 forecast period, the proposed reorganization increases state cost for the LCFF when compared with funding for the existing District. This occurs because a portion of the local tax revenue that will be allocated to MUSD is no longer available to offset state aid. The increased state cost is reflected in additional state aid provided to SMUSD. Table 6 shows the comparison of state aid for the District, which is minimum state aid funded during the forecast period, with the combined state aid for SMUSD and MUSD. Additional cost to the state varies across years, from about \$7 million to \$9 million.

Table 6 Annual Net Change in LCFF State Aid Fiscal Years 2017-18 through 2020-21								
	2017-18		2018-19		2019-20		2020-21	
	Amount	Per ADA	Amount	Per ADA	Amount	Per ADA	2020-21	Per ADA
District State Aid	\$8,585,843	\$821	\$8,585,843	\$821	\$8,585,843	\$821	\$8,585,843	\$821
SMUSD State Aid	\$15,891,329	\$1,823	\$14,095,862	\$1,617	\$15,628,550	\$1,793	\$15,462,027	\$1,774
MUSD State Aid	\$1,433,836	\$821	\$1,433,836	\$821	\$1,433,836	\$821	\$1,433,836	\$821
Subtotal, SMUSD and MUSD	\$17,325,165	\$1,656	\$15,529,698	\$1,484	\$17,062,386	\$1,631	\$16,895,863	\$1,615
Change in State Aid	\$8,739,322	\$835	\$6,943,855	\$664	\$8,476,543	\$810	\$8,310,020	\$794

However, over the longer-term forecast period, state costs begin to decline, falling from \$7 million in 2021-22 to \$3.2 million in 2024-25. By 2026-27, additional state costs are wholly offset by local property tax growth since in that year both SMUSD and MUSD are community-funded (basic aid) school districts that receive only the minimum state aid required by law.

Sensitivity to Changing Factors

As previously noted, the financial impact of a reorganization on LCFF funding over time is heavily influenced by two primary factors: annual change in LCFF grants per ADA and changes in local property tax revenues. While our baseline assumptions are reasonable given historical changes in local revenues and historical practices in state support for school district funding formulas, property tax growth could easily vary from the rates in the baseline forecast. We have modeled that variation by looking at the effect of more conservative and more optimistic growth in property taxes while holding LCFF growth constant at our baseline percentage of 2.67%.

Sensitivity Analysis: The Conservative View—3% Average Annual Increase in Property Tax Revenues

The following changes result from a 3% annual rate of growth in property tax revenues for each of the three district configurations:

- The District briefly moves into minimum state aid status in 2018-19, but then remains a state aid school district in each of the following years of the forecast period
- SMUSD is a state aid district during the full forecast period, and MUSD is a community-funded school district
- MUSD, as would be expected with lower average property tax growth, gains less additional per-ADA funding than it does under the baseline forecast
- SMUSD gains about \$300 per ADA in net revenues per pupil relative to the District
- State aid costs under the reorganization do not decline, but instead grow from about \$10 million to more than \$13 million during the 12-year forecast period

Sensitivity Analysis: The Optimistic View—6% Average Annual Increase in Property Tax Revenues

The following changes result from a 6% annual rate of growth in property tax revenues for each of the three district configurations:

- The District becomes basic aid in 2021-22, five years sooner than under our baseline forecast, and is minimum state aid during the years prior to 2021-22
- SMUSD becomes a minimum state aid district in 2023-24 and a basic aid school district in 2026-27

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- Relative to the District, SMUSD revenue per pupil quickly diverges, starting with a deficit of \$42 per ADA in 2017-18 that grows to nearly \$2,000 by 2028-29
- MUSD experiences a greater increase in per-pupil funding through accelerated property tax growth, moving from more than \$14 thousand per ADA in 2017-18 to almost \$27 thousand per ADA in 2028-29
- Annual state cost increases fall rapidly from a high of nearly \$8 million in the first year of reorganization to zero by 2023-24

Relative Change in Revenues—Three Scenarios

Table 7 shows the per-ADA change in revenues for SMUSD and MUSD under the three different property tax growth rate scenarios modeled for this report—our baseline forecast (4.78% for the District, 5.04% for SMUSD, and 4.22% for MUSD); a low growth rate of 3%; and a higher growth rate of 6%.

Year	Baseline		Low Growth (3%)		High Growth (6%)	
	SMUSD	MUSD	SMUSD	MUSD	SMUSD	MUSD
2017-18	\$112	\$2,541	\$256	\$2,381	(\$42)	\$2,838
2018-19	(\$130)	\$2,670	\$214	\$2,542	(\$373)	\$3,136
2019-20	\$6	\$2,818	\$262	\$2,421	(\$336)	\$3,471
2020-21	(\$48)	\$2,954	\$272	\$2,428	(\$511)	\$3,797
2021-22	(\$216)	\$3,094	\$278	\$2,536	(\$813)	\$4,145
2022-23	(\$374)	\$3,240	\$307	\$2,650	(\$1,119)	\$4,516
2023-24	(\$594)	\$3,390	\$288	\$2,768	(\$1,421)	\$4,913
2024-25	(\$781)	\$3,546	\$318	\$2,891	(\$1,516)	\$5,335
2025-26	(\$1,032)	\$3,708	\$300	\$3,019	(\$1,617)	\$5,786
2026-27	(\$1,223)	\$3,874	\$329	\$3,153	(\$1,725)	\$6,267
2027-28	(\$1,262)	\$4,046	\$311	\$3,292	(\$1,838)	\$6,779
2028-29	(\$1,303)	\$4,225	\$341	\$3,436	(\$1,959)	\$7,325

Other Revenues—Supplemental Analysis ⁷

Subsequent to our initial review of LCFF and Other Local Revenues, the Committee asked that this report also include three additional sources of local revenue that accrue or may accrue to the District or reorganized districts. The additional local revenue sources included in this supplemental section are as follows:

- A local option use tax in the City of Santa Monica, proposed as Measure GSH and advisory Measure GS on the November 2016 ballot, which would provide more than \$8 million annually for Santa Monica schools
- Ground lease revenues accruing to the District from various leases of District property in Santa Monica and Malibu
- A parcel tax, to be approved by Malibu voters, that would provide an amount equivalent to the current Measure R per-parcel tax for a newly-formed Malibu Unified School District

Our initial review of the sources of District General Fund unrestricted revenues included LCFF revenue and Other Local Revenues accruing to the District from the Santa Monica-Malibu Education Foundation, the Measure R parcel tax, Measure Y local option use tax, and both Santa Monica and Malibu city revenues.

The three additional local revenue sources addressed in this supplement are categorized as Other Local Revenue, and do not affect our analysis and forecast of the LCFF. We have also included at the end of this supplement a brief discussion of the minimum funding provisions of Proposition 55—*The California Children's Education and Health Care Protection Act of 2016*— if it were to be approved on the November 8, 2016, as it would affect minimum state aid and basic state aid funded school districts.

⁷ This section of the report has been revised as of December 6, 2016, to include an additional source of ground lease revenue for Santa Monica that was omitted from the September 14 report. Inclusion of this revenue source increases the net benefit of ground lease revenue for SMUSD and creates an additional net loss of revenues for MUSD.

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The following Table 8 displays the amount of additional funding estimated for each the three new revenue sources by year:

Table 8				
Estimated Revenue by Revenue Source and Fiscal Year				
Year	City of Santa Monica Tax—2016 Ballot	Ground Lease—Santa Monica	Ground Lease—Malibu	Malibu Parcel Tax
2017-18	\$8,200,000	\$2,538,835	\$169,500	\$3,302,739
2018-19	\$8,400,000	\$2,561,077	\$172,890	\$3,384,977
2019-20	\$8,600,000	\$2,584,027	\$176,347	\$3,464,862
2020-21	\$8,772,000	\$2,607,717	\$179,874	\$3,546,632
2021-22	\$8,947,440	\$2,715,900	\$183,472	\$3,630,333
2022-23	\$9,126,389	\$2,741,156	\$187,141	\$3,716,009
2023-24	\$9,308,917	\$2,767,243	\$190,884	\$3,803,707
2024-25	\$9,495,095	\$2,794,191	\$194,702	\$3,893,474
2025-26	\$9,984,997	\$2,822,037	\$198,596	\$3,985,360
2026-27	\$9,878,697	\$2,991,312	\$202,568	\$4,079,414
2027-28	\$10,076,271	\$3,021,061	\$206,619	\$4,175,688
2028-29	\$10,277,796	\$3,051,818	\$210,751	\$4,274,234

City of Santa Monica Sales and Use Tax (November 2016, Measure GSH)

The 2016 Santa Monica ballot Measure GSH would, if approved by voters, establish an additional half cent sales and use tax within the city, half of which would be dedicated to supporting the public schools⁸. Identical to the existing Measure Y use tax, our forecast assumes the same levels of additional revenue accruing to the District from the new tax as from the existing tax. Including Measure GSH adds \$784 per ADA to the District’s revenues in 2017-18, growing to \$982 per ADA by 2028-29. Because all of the new sales and use tax revenues would stay within SMUSD, the per-ADA value would increase to \$941 in 2017-18 and \$1,179 by 2028-29—a gain of from \$157 to \$197 per ADA.

MUSD would not gain revenue from this taxing source, and would therefore experience a relative loss per ADA of \$784 to \$982 when compared with the District.

⁸ Assumes voter approval of advisory Measure GS.

Ground Leases

Santa Monica and Malibu would both see continuing revenue from various existing leases of school grounds. Based on the schedule of ground leases in the attached July 15, 2016, letter to the District Board of Education (Appendix C), we estimate that the District will receive an aggregate amount from all existing leases of \$243 per ADA in 2017-18, increasing to \$292 per ADA in 2028-29. We understand that lease negotiations are currently in progress, but we have not included revenues that may be realized from re-negotiation of existing leases or negotiation of new leases since those revenues would be speculative and inclusion of estimates in this report could potentially affect negotiations.

Relative to the District, SMUSD would realize a gain from retained Santa Monica leases of \$49 to \$58 per ADA over the forecast period, partially offset by a *loss* of Malibu lease revenues ranging from \$16 to \$20 per ADA. A standalone MUSD would *lose* from \$243 to \$292 per ADA in Santa Monica lease revenues, but would gain \$81 to \$100 per ADA from retained Malibu leases.

Malibu Parcel Tax

The District currently benefits from a parcel tax of \$386 per parcel, providing revenue for the District of approximately \$12 million annually. As described in the report, SMUSD would continue to receive parcel tax revenues without additional action were the District to separate, but MUSD would likely need to gain voter approval for the parcel tax to continue to provide supplemental funding in the newly formed district. Tables 4 and 5 of the report show the impact of separation on the parcel tax revenues for SMUSD and the loss of those revenues for MUSD. This supplement provides information about the value of approving a parcel tax at the current level in a separate district serving Malibu residents.

Assuming that parcel tax revenue would end absent action by Malibu voters (a per ADA loss of from \$1,127 to \$1,459), we estimate that MUSD would gain \$3.3 million (\$1,890 per ADA) in 2017-18 from continuation of a parcel tax identical to the District's existing Measure R, growing to \$4.3 million—\$2,446 per ADA—in 2028-29.

Change in Revenues – New Revenue Sources

Tables 9 and 10 show the per-ADA change in revenues for SMUSD (Table 9) and MUSD (Table 10) when compared with the District, by year for each of the revenue sources.

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Table 9 Per-ADA Change: Santa Monica USD from District, Additional Revenue Sources					
Year	City of Santa Monica Tax—2016 Ballot	Ground Lease—Santa Monica	Ground Lease—Malibu	Malibu Parcel Tax	Total
2017-18	\$157	\$49	(\$16)	\$0	\$190
2018-19	\$161	\$49	(\$17)	\$0	\$193
2029-20	\$165	\$50	(\$17)	\$0	\$198
2020-21	\$168	\$50	(\$17)	\$0	\$201
2021-22	\$171	\$52	(\$18)	\$0	\$205
2022-23	\$175	\$53	(\$18)	\$0	\$210
2023-24	\$178	\$53	(\$18)	\$0	\$213
2024-25	\$182	\$54	(\$19)	\$0	\$217
2025-26	\$186	\$54	(\$19)	\$0	\$221
2026-27	\$189	\$57	(\$19)	\$0	\$227
2027-28	\$193	\$58	(\$20)	\$0	\$231
2028-29	\$197	\$58	(\$20)	\$0	\$235

Table 10 Per-ADA Change: Malibu USD from District, Additional Revenue Sources					
Year	City of Santa Monica Tax—2016 Ballot	Ground Lease—Santa Monica	Ground Lease—Malibu	Malibu Parcel Tax	Total
2017-18	(\$784)	(\$243)	\$81	\$1,890	\$944
2018-19	(\$803)	(\$245)	\$82	\$1,937	\$971
2029-20	(\$822)	(\$247)	\$84	\$1,983	\$998
2020-21	(\$838)	(\$249)	\$86	\$2,030	\$1,029
2021-22	(\$855)	(\$260)	\$87	\$2,078	\$1,050
2022-23	(\$872)	(\$262)	\$89	\$2,127	\$1,082
2023-24	(\$890)	(\$265)	\$91	\$2,177	\$1,113
2024-25	(\$908)	(\$267)	\$93	\$2,228	\$1,146
2025-26	(\$926)	(\$270)	\$95	\$2,281	\$1,180
2026-27	(\$944)	(\$286)	\$97	\$2,335	\$1,202
2027-28	(\$963)	(\$289)	\$99	\$2,390	\$1,237
2028-29	(\$982)	(\$292)	\$100	\$2,446	\$1,272

This supplement documents the effect of including these three revenue streams on the resources that would accrue to the District, and to each of the proposed districts in the event of a separation. With the additional revenues added to our baseline forecast, as shown in Table 11, both SMUSD and MUSD gain in total unrestricted General Fund revenues over the forecast period.

Table 11 Per-ADA Change With Additional Local Revenue Sources Included						
Year	Baseline—Initial Analysis		Additional Revenue		Net Change, Additional Revenues	
	SMUSD	MUSD	SMUSD	MUSD	SMUSD	MUSD
2017-18	\$112	\$2,541	\$190	\$944	\$302	\$3,485
2018-19	(\$130)	\$2,670	\$193	\$971	\$63	\$3,641
2019-20	\$6	\$2,818	\$198	\$998	\$204	\$3,816
2020-21	(\$48)	\$2,954	\$201	\$1,029	\$153	\$3,983
2021-22	(\$216)	\$3,094	\$205	\$1,050	(\$11)	\$4,144
2022-23	(\$374)	\$3,240	\$210	\$1,082	(\$164)	\$4,322
2023-24	(\$594)	\$3,390	\$213	\$1,113	(\$381)	\$4,503
2024-25	(\$781)	\$3,546	\$217	\$1,146	(\$564)	\$4,692
2025-26	(\$1,032)	\$3,708	\$221	\$1,180	(\$811)	\$4,888
2026-27	(\$1,223)	\$3,874	\$227	\$1,202	(\$996)	\$5,076
2027-28	(\$1,262)	\$4,046	\$231	\$1,237	(\$1,031)	\$5,283
2028-29	(\$1,303)	\$4,225	\$235	\$1,272	(\$1,068)	\$5,497

Proposition 55—The California Children’s Education and Health Care Protection Act of 2016

Proposition 55 on the November 2016 ballot proposes to extend the surcharge on high income earners that was enacted through Proposition 30 in 2012. The temporary tax increases adopted with the approval of Proposition 30 provide additional funding for public education through the EPA and benefit the state by reducing state General Fund spending for schools. But, the Proposition 30 tax increases are set to fully expire after 2018.

Proposition 55, if approved, would extend the Proposition 30 income tax rate increases through 2030, and would also extend the minimum allocation of \$200 per ADA that Proposition 30 revenues provide for school districts. LCFE minimum state aid and basic state aid school districts are the primary beneficiaries of the \$200 minimum EPA allocation.

The District currently receives \$200 per ADA in minimum EPA funding. Our forecast assumes that the allocation will end in accordance with current law after 2018-19. However, if Proposition 55 is approved by voters then the \$200 per ADA revenue would continue to be received by the

District through the forecast period. The impact on the revenue forecast of Proposition 55 being approved by voters in November would increase the District's revenues after 2018-19 by \$200 per ADA. Passage of Proposition 55 would also provide an absolute increase for MUSD beginning in 2019-20, but relative to District revenues there would be no change, since it would simply sustain the \$200 per ADA minimum allocation previously received by the District. As a state aid school district, SMUSD may not benefit from the EPA until it becomes a minimum state aid school district in 2026-27.

Conclusion

Separating the Santa Monica-Malibu Unified School District into two unified school districts, one serving youth in the city of Santa Monica and one serving youth in Malibu and the surrounding areas, creates both financial benefits and financial challenges.

Our forecast of future funding for both the existing school district and the two newly formed school districts that would be created through a reorganization shows that property tax revenues will dominate the LCFF calculations in the future. This will benefit the school districts in any of the existing or proposed configurations because, sooner or later, the districts are likely to receive both the minimum level of state aid required by state law and the state Constitution, while also retaining the benefit of future growth in assessed valuations and the property tax revenue growth that results. A newly established MUSD would enjoy these benefits immediately, but we forecast that SMUSD would also become, first, a minimum state aid school district and later a basic state aid school district in the future.

The District has enjoyed strong local support from its community, receiving significant additional revenues from a variety of local sources. While MUSD would benefit immediately from increased property tax revenues per pupil, a newly formed SMUSD would retain most of the other local revenues that currently accrue to the District, which would increase funding available per pupil from those sources for SMUSD. In addition, although SMUSD would experience an immediate and significant reduction in local property tax revenues per pupil under a reorganization of the District, the LCFF would backfill most of that loss with additional funding provided by the state.

As well as benefits, the proposed reorganization raises challenges for the Santa Monica and Malibu communities that will need to be addressed in three areas: District financial solvency, increased state costs, and the relative loss of revenue for Santa Monica schools. Our companion report, Santa Monica-Malibu Unified School District—Review of Prior Reports and Analyses of District Reorganization, emphasizes the importance for the reorganized school districts to begin on a sound financial footing, and raises a concern that added state costs resulting from a proposed reorganization may create a barrier to approval. Our forecast does show that in the near term state costs for the LCFF would increase under the proposed reorganization of the district—we estimate

from \$7 million to \$9 million. But, over the longer term state costs will be reduced and finally eliminated as local revenue growth continues to outpace LCFF increases in SMUSD.

Our forecast documents that SMUSD would, under the most likely scenarios, experience a net loss of funding per pupil under a reorganization, and we have quantified that loss in our baseline forecast and alternative scenarios⁹. In the near term increased benefit from other local revenues may offset the loss of property tax revenues for SMUSD, but in the longer term the differential distribution of the property tax base resulting from a reorganization will likely leave SMUSD behind when compared with per pupil revenues that would accrue to the District as it exists today.

Given the work that has already been done to analyze the impact of a reorganization on the District, our conclusions are familiar and generally consistent with the work that has come before us. However, this analysis, for the first time, quantifies the financial effects on revenues of the proposed reorganization of the District both in the near term and the longer term, and under several scenarios. More importantly, it identifies the factors to which the state revenue formula is most sensitive for each of the alternative district configurations, providing guidance on a pathway forward to achieve a workable and equitable division of resources upon a reorganization of the District.

We believe our analysis shows that there is some financial flexibility under a proposed reorganization to balance the financial impact on SMUSD and MUSD in the future. Our analysis supports that this balancing may be best achieved through a formula-based approach because of the demonstrated sensitivity of future revenues to variation in factors that may be difficult to predict with accuracy. Such a formula should be relatively simple so that it is understandable to community stakeholders, and it should be based on factors that are generally outside of a school district's capacity to individually influence or control. In addition, because in the longer term the impact of a reorganization based solely on unrestricted revenues is likely to be zero sum, the division of other assets may become important considerations in determining an equitable balance of resources among the reorganized districts.

⁹ Only under a slow revenue growth scenario would SMUSD not suffer a relative loss in per pupil funding, and this occurs only because funding for the existing district configuration would also suffer if future growth in property tax and LCFF funding were low.

Appendices

Baseline Forecast—Tables (Appendix A)

Fifteen tables included in Appendix A provide a detailed view of our baseline forecast for the District, the proposed SMUSD, and the proposed MUSD for the years 2017-18 through 2020-21, 2021-22 through 2024-25, and 2025-26 through 2028-29. Tables showing the differences in funding from the various revenue sources for SMUSD and MUSD relative to the District during each four-year time period are also included¹⁰. These tables are updated to include the three additional revenue sources addressed in this supplement.

Modeling and Revenue Forecasting Assumptions (Appendix B)

Appendix B provides a detailed description and discussion of the assumptions underlying our forecast—how they were derived and why we they were used.

Ground Lease Revenue Documentation (Appendix C)

Appendix C is a copy of a July 15, 2016, letter from District staff to the District Board of Education documenting existing ground lease agreements and associated revenues for leases in Santa Monica and Malibu. This information formed the basis of our forecast and division of ground lease revenues under the proposed reorganization that is included in the Other Revenues—Supplemental Analysis section of this report.

¹⁰ The per-ADA net change in revenues shown in Table 13 may differ slightly from the amounts shown in the tables of Appendix A due to rounding.

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Appendix A—Baseline Forecast

Summary 2018-21

Santa Monica-Malibu USD								
	2017-18		2018-19		2019-20		2020-21	
		Per ADA		Per ADA		Per ADA		Per ADA
Average Daily Attendance	10,462		10,462		10,462		10,462	
LCFF State Aid	\$7,077,580	\$677	\$4,494,943	\$430	\$5,905,997	\$565	\$5,238,154	\$501
Minimum State Aid	\$1,508,263	\$144	\$4,090,900	\$391	\$2,679,846	\$256	\$3,347,689	\$320
Education Protection Account (EPA)	\$2,092,400	\$200	\$2,092,400	\$200	-	-	-	-
Property Tax*	\$68,664,238	\$6,563	\$71,946,389	\$6,877	\$75,385,426	\$7,206	\$78,988,849	\$7,550
RDA Distributions	\$10,928,942	\$1,045	\$11,377,921	\$1,088	\$11,710,654	\$1,119	\$12,270,424	\$1,173
Subtotal, LCFF Revenue	\$90,271,423	\$8,629	\$94,002,553	\$8,985	\$95,681,923	\$9,146	\$99,845,116	\$9,544
LCFF Calculated Funding	\$88,763,160	\$8,484	\$89,911,653	\$8,594	\$93,002,077	\$8,890	\$96,497,427	\$9,224
LCFF Revenue Above Calculated Funding	\$1,508,263	\$144	\$4,090,900	\$391	\$2,679,846	\$256	\$3,347,689	\$320
SM-M Education foundation	\$2,500,000	\$239	\$2,500,000	\$239	\$2,500,000	\$239	\$2,550,000	\$244
Parcel Tax - Measure R	\$11,795,497	\$1,127	\$12,089,205	\$1,156	\$12,374,510	\$1,183	\$12,666,548	\$1,211
Local Option Use Tax - Measure Y	\$8,200,000	\$784	\$8,400,000	\$803	\$8,600,000	\$822	\$8,772,000	\$838
2016 Use Tax (ballot measure)	\$8,200,000	\$784	\$8,400,000	\$803	\$8,600,000	\$822	\$8,772,000	\$838
Ground lease revenue - Malibu	\$169,500	\$16	\$172,890	\$17	\$176,347	\$17	\$179,874	\$17
Ground lease revenue - Santa Monica	\$2,538,838	\$243	\$2,561,077	\$245	\$2,584,027	\$247	\$2,607,717	\$249
Malibu parcel tax (pending approval)	-		-		-		-	
City of Santa Monica	\$9,000,000	\$860	\$9,200,000	\$879	\$9,400,000	\$898	\$9,588,000	\$916
City of Malibu	\$200,000	\$19	\$200,000	\$19	\$200,000	\$19	\$204,000	\$19
Subtotal, Other local revenue	\$42,603,834	\$4,072	\$43,523,171	\$4,160	\$44,434,884	\$4,247	\$45,340,139	\$4,334
TOTAL REVENUES	\$132,875,258	\$12,701	\$137,525,724	\$13,145	\$140,116,808	\$13,393	\$145,185,255	\$13,877

*Assumes annual property tax growth of the following percentage:

4.78%

Assumes LCFF growth of 2.67% annually beginning in 2019-20

Assumes 2017-18 as the earliest first year of reorganization



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Santa Monica USD

	2017-18		2018-19		2019-20		2020-21	
		Per ADA		Per ADA		Per ADA		Per ADA
Average Daily Attendance	8,715		8,715		8,715		8,715	
LCFF State Aid	\$15,891,329	\$1,823	\$14,095,862	\$1,617	\$15,628,550	\$1,793	\$15,462,027	\$1,774
Minimum State Aid	-		-		-		-	
Education Protection Account (EPA)	\$1,742,968	\$200	\$1,742,968	\$200	-	-	-	-
Property Tax*	\$45,819,602	\$5,258	\$48,128,910	\$5,523	\$50,554,607	\$5,801	\$53,102,559	\$6,093
RDA Distributions	\$10,928,942	\$1,254	\$11,377,921	\$1,306	\$11,710,654	\$1,344	\$12,300,871	\$1,411
Subtotal, LCFF Revenue	\$74,382,842	\$8,535	\$75,345,661	\$8,646	\$77,893,812	\$8,938	\$80,865,457	\$9,279
LCFF Calculated Funding	\$74,382,842	\$8,535	\$75,345,661	\$8,646	\$77,893,812	\$8,938	\$80,865,457	\$9,279
LCFF Revenue Above Calculated Funding	-	-	-	-	-	-	-	-
SM Education Foundation	\$2,500,000	\$287	\$2,500,000	\$287	\$2,500,000	\$287	\$2,550,000	\$293
Parcel Tax - Measure R	\$8,492,758	\$975	\$8,704,228	\$999	\$8,909,648	\$1,022	\$9,119,916	\$1,046
Local Option Use Tax - Measure Y	\$8,200,000	\$941	\$8,400,000	\$964	\$8,600,000	\$987	\$8,772,000	\$1,007
2016 Use Tax (ballot measure)	\$8,200,000	\$941	\$8,400,000	\$964	\$8,600,000	\$987	\$8,772,000	\$1,007
Ground lease revenue - Santa Monica	\$2,538,838	\$291	\$2,561,077	\$294	\$2,584,027	\$297	\$2,607,717	\$299
City of Santa Monica	\$9,000,000	\$1,033	\$9,200,000	\$1,056	\$9,400,000	\$1,079	\$9,588,000	\$1,100
Subtotal, Other local revenue	\$38,931,596	\$4,467	\$39,765,305	\$4,563	\$40,593,675	\$4,658	\$41,409,633	\$4,752
TOTAL REVENUES	\$113,314,438	\$13,002	\$115,110,966	\$13,209	\$118,487,487	\$13,596	\$122,275,089	\$14,031

*Assumes annual property tax growth of the following percentage:

5.04%

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Malibu USD

	2017-18		2018-19		2019-20		2020-21	
		Per ADA		Per ADA		Per ADA		Per ADA
Average Daily Attendance	1,747		1,747		1,747		1,747	
LCFF State Aid	-	-	-	-	-	-	-	-
Minimum State Aid	\$1,433,836	\$821	\$1,433,836	\$821	\$1,433,836	\$821	\$1,433,836	\$821
Education Protection Account (EPA)	\$349,432	\$200	\$349,432	\$200	\$0	\$0	\$0	\$0
Property Tax*	\$22,825,234	\$13,064	\$23,788,459	\$13,616	\$24,792,332	\$14,190	\$25,838,568	\$14,789
RDA Distributions	-	-	-	-	-	-	-	-
Subtotal, LCFF Revenue	\$24,608,502	\$14,085	\$25,571,727	\$14,636	\$26,226,168	\$15,011	\$27,272,404	\$15,610
LCFF Calculated Funding	\$14,405,735	\$8,245	\$14,581,273	\$8,346	\$15,062,149	\$8,621	\$15,632,291	\$8,947
LCFF Revenue Above Calculated Funding	\$10,202,767	\$5,840	\$10,990,454	\$6,290	\$11,164,019	\$6,390	\$11,640,113	\$6,662
Malibu Education Foundation	-	-	-	-	-	-	-	-
Ground lease revenue - Malibu	\$169,500	\$97	\$172,890	\$99	\$176,347	\$101	\$179,874	\$103
Malibu parcel tax (pending approval)	\$3,302,739	\$1,890	\$3,384,977	\$1,937	\$3,464,862	\$1,983	\$3,546,632	\$2,030
City of Malibu	\$200,000	\$114	\$200,000	\$114	\$200,000	\$114	\$204,000	\$117
Subtotal, Other local revenue	\$3,672,239	\$2,102	\$3,757,867	\$2,151	\$3,841,209	\$2,199	\$3,930,506	\$2,250
TOTAL REVENUES	\$28,280,741	\$16,187	\$29,329,594	\$16,787	\$30,067,377	\$17,209	\$31,202,910	\$17,859

*Assumes annual property tax growth of the following percentage: 4.22%

Santa Monica-Malibu Unified School District
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Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016
 (Rev. December 6, 2016)

Change: Santa Monica USD from Santa Monica-Malibu USD				
	(Change per ADA)			
	2017-18	2018-19	2019-20	2020-21
LCFF State Aid	\$1,147	\$1,188	\$1,229	\$1,274
Minimum State Aid	(\$144)	(\$391)	(\$256)	(\$320)
Education Protection Account (EPA)	-	-	-	-
Property Tax*	(\$1,306)	(\$1,354)	(\$1,405)	(\$1,457)
RDA Distributions	\$209	\$218	\$224	\$239
Subtotal, LCFF Revenue	(\$93)	(\$339)	(\$208)	(\$265)
LCFF Calculated Funding	\$51	\$52	\$49	\$55
LCFF Revenue Above Calculated Funding	(\$144)	(\$391)	(\$256)	(\$320)
Education Foundation	\$48	\$48	\$48	\$49
Parcel Tax - Measure R	(\$153)	(\$157)	(\$160)	(\$164)
Local Option Use Tax - Measure Y	\$157	\$161	\$165	\$168
2016 Use Tax (ballot measure)	\$157	\$161	\$165	\$168
Ground lease revenue - Malibu	(\$16)	(\$17)	(\$17)	(\$17)
Ground lease revenue - Santa Monica	\$49	\$49	\$50	\$50
Malibu parcel tax (pending approval)	-	-	-	-
City of Santa Monica	\$172	\$176	\$180	\$184
City of Malibu	(\$19)	(\$19)	(\$19)	(\$19)
Subtotal, Other local revenue	\$395	\$403	\$411	\$418
TOTAL REVENUES	\$302	\$63	\$203	\$153

**Santa Monica-Malibu Unified School District
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Change: Malibu USD from Santa Monica-Malibu USD

	(Change per ADA)			
	2017-18	2018-19	2019-20	2020-21
LCFF State Aid	(\$677)	(\$430)	(\$565)	(\$501)
Minimum State Aid	\$677	\$430	\$565	\$501
Education Protection Account (EPA)	-	-	-	-
Property Tax*	\$6,501	\$6,739	\$6,984	\$7,239
RDA Distributions	(\$1,045)	(\$1,088)	(\$1,119)	(\$1,173)
Subtotal, LCFF Revenue	\$5,456	\$5,651	\$5,865	\$6,066
LCFF Calculated Funding	(\$239)	(\$248)	(\$269)	(\$276)
LCFF Revenue Above Calculated Funding	\$5,695	\$5,899	\$6,134	\$6,342
Education Foundation	(\$239)	(\$239)	(\$239)	(\$244)
Parcel Tax - Measure R	(\$1,127)	(\$1,156)	(\$1,183)	(\$1,211)
Local Option Use Tax - Measure Y	(\$784)	(\$803)	(\$822)	(\$838)
2016 Use Tax (ballot measure)	(\$784)	(\$803)	(\$822)	(\$838)
Ground lease revenue - Malibu	\$81	\$82	\$84	\$86
Ground lease revenue - Santa Monica	(\$243)	(\$245)	(\$247)	(\$249)
Malibu parcel tax (pending approval)	\$1,890	\$1,937	\$1,983	\$2,030
City of Santa Monica	(\$860)	(\$879)	(\$898)	(\$916)
City of Malibu	\$95	\$95	\$95	\$97
Subtotal, Other local revenue	(\$1,970)	(\$2,009)	(\$2,049)	(\$2,084)
TOTAL REVENUES	\$3,486	\$3,642	\$3,816	\$3,982

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Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016
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Summary 2021-25

Santa Monica-Malibu USD								
	2021-22		2022-23		2023-24		2024-25	
		Per ADA		Per ADA		Per ADA		Per ADA
Average Daily Attendance	10,462		10,462		10,462		10,462	
LCFF State Aid	\$3,424,845	\$327	\$1,462,229	\$140	\$0	\$0	\$0	\$0
Minimum State Aid	\$5,160,998	\$493	\$7,123,614	\$681	\$8,585,843	\$821	\$8,585,843	\$821
Education Protection Account (EPA)	-	-	-	-	-	-	-	-
Property Tax*	\$82,764,516	\$7,911	\$86,720,660	\$8,289	\$90,865,908	\$8,685	\$95,209,298	\$9,100
RDA Distributions	\$12,856,950	\$1,229	\$13,471,512	\$1,288	\$14,115,450	\$1,349	\$14,790,169	\$1,414
Subtotal, LCFF Revenue	\$104,207,309	\$9,961	\$108,778,015	\$10,397	\$113,567,201	\$10,855	\$118,585,310	\$11,335
LCFF Calculated Funding	\$99,046,311	\$9,467	\$101,654,401	\$9,717	\$104,334,171	\$9,973	\$107,088,857	\$10,236
LCFF Revenue Above Calculated Funding	\$5,160,998	\$493	\$7,123,614	\$681	\$9,233,030	\$883	\$11,496,453	\$1,099
SM-M Education Foundation	\$2,601,000	\$249	\$2,653,000	\$254	\$2,706,100	\$259	\$2,760,200	\$264
Parcel Tax - Measure R	\$12,965,479	\$1,239	\$13,271,464	\$1,269	\$13,584,671	\$1,298	\$13,905,269	\$1,329
Local Option Use Tax - Measure Y	\$8,947,440	\$855	\$9,126,389	\$872	\$9,308,917	\$890	\$9,495,095	\$908
2016 Use Tax (ballot measure)	\$8,947,440	\$855	\$9,126,389	\$872	\$9,308,917	\$890	\$9,495,095	\$908
Ground lease revenue - Malibu	\$183,472	\$18	\$187,141	\$18	\$190,884	\$18	\$194,702	\$19
Ground lease revenue - Santa Monica	\$2,715,900	\$260	\$2,741,156	\$262	\$2,767,243	\$265	\$2,794,191	\$267
Malibu parcel tax (pending approval)	-	-	-	-	-	-	-	-
City of Santa Monica	\$9,779,760	\$935	\$9,975,355	\$953	\$10,174,862	\$973	\$10,378,359	\$992
City of Malibu	\$208,080	\$20	\$212,242	\$20	\$216,487	\$21	\$220,817	\$21
Subtotal, Other local revenue	\$46,348,571	\$4,430	\$47,293,137	\$4,520	\$48,258,081	\$4,613	\$49,243,728	\$4,707
TOTAL REVENUES	\$150,555,880	\$14,391	\$156,071,152	\$14,918	\$161,825,282	\$15,468	\$167,829,038	\$16,042

*Assumes annual property tax growth of the following percentage:

4.78%

Assumes LCFF growth of 2.67% annually beginning in 2019-20

Assumes 2017-18 as the earliest first year of reorganization

Santa Monica-Malibu Unified School District

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Santa Monica USD

	2021-22		2022-23		2023-24		2024-25	
		Per ADA		Per ADA		Per ADA		Per ADA
Average Daily Attendance	8,715		8,715		8,715		8,715	
LCFF State Aid	\$14,301,842	\$1,641	\$13,233,897	\$1,519	\$11,634,006	\$1,335	\$10,331,106	\$1,185
Minimum State Aid	-	-	-	-	-	-	-	-
Education Protection Account (EPA)	-	-	-	-	-	-	-	-
Property Tax*	\$55,778,928	\$6,400	\$58,590,186	\$6,723	\$61,543,131	\$7,062	\$64,644,905	\$7,418
RDA Distributions	\$12,920,835	\$1,483	\$13,572,045	\$1,557	\$14,256,076	\$1,636	\$14,974,582	\$1,718
Subtotal, LCFF Revenue	\$83,001,605	\$9,524	\$85,396,128	\$9,799	\$87,433,213	\$10,033	\$89,950,593	\$10,322
LCFF Calculated Funding	\$83,001,605	\$9,524	\$85,396,128	\$9,799	\$87,433,213	\$10,033	\$89,950,593	\$10,322
LCFF Revenue Above Calculated Funding	-	-	-	-	-	-	-	-
Santa Monica Education Foundation	\$2,601,000	\$298	\$2,653,000	\$304	\$2,706,100	\$311	\$2,760,200	\$317
Parcel Tax - Measure R	\$9,335,146	\$1,071	\$9,555,455	\$1,096	\$9,780,964	\$1,122	\$10,011,795	\$1,149
Local Option Use Tax - Measure Y	\$8,947,440	\$1,027	\$9,126,389	\$1,047	\$9,308,917	\$1,068	\$9,495,095	\$1,090
2016 Use Tax (ballot measure)	\$8,947,440	\$1,027	\$9,126,389	\$1,047	\$9,308,917	\$1,068	\$9,495,095	\$1,090
Ground lease revenue - Santa Monica	\$2,715,900	\$312	\$2,741,156	\$315	\$2,767,243	\$318	\$2,794,191	\$321
City of Santa Monica	\$9,779,760	\$1,122	\$9,975,355	\$1,145	\$10,174,862	\$1,168	\$10,378,359	\$1,191
Subtotal, Other local revenue	\$42,326,686	\$4,857	\$43,177,744	\$4,955	\$44,047,003	\$5,054	\$44,934,735	\$5,156
TOTAL REVENUES	\$125,328,291	\$14,381	\$128,573,872	\$14,753	\$131,480,215	\$15,087	\$134,885,328	\$15,478

*Assumes annual property tax growth of the following percentage:

5.04%

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Malibu USD

	2021-22		2022-23		2023-24		2024-25	
		Per ADA		Per ADA		Per ADA		Per ADA
Average Daily Attendance	1,747		1,747		1,747		1,747	
LCFF State Aid	-	-	-	-	-	-	-	-
Minimum State Aid	\$1,433,836	\$821	\$1,433,836	\$821	\$1,433,836	\$821	\$1,433,836	\$821
Education Protection Account (EPA)	-	-	-	-	-	-	-	-
Property Tax*	\$26,928,956	\$15,413	\$28,065,358	\$16,063	\$29,249,716	\$16,741	\$30,484,054	\$17,448
RDA Distributions	-	-	-	-	-	-	-	-
Subtotal, LCFF Revenue	\$28,362,792	\$16,234	\$29,499,194	\$16,884	\$30,683,552	\$17,562	\$31,917,890	\$18,268
LCFF Calculated Funding	\$16,045,035	\$9,183	\$16,467,367	\$9,425	\$16,901,305	\$9,674	\$17,347,375	\$9,929
LCFF Revenue Above Calculated Funding	\$12,317,757	\$7,050	\$13,031,827	\$7,459	\$13,782,247	\$7,888	\$14,570,515	\$8,340
Malibu Education Foundation	-	-	-	-	-	-	-	-
Ground lease revenue - Malibu	\$183,472	\$105	\$187,141	\$107	\$190,884	\$109	\$194,702	\$111
Malibu parcel tax (pending approval)	\$3,630,333	\$2,078	\$3,716,009	\$2,127	\$3,803,707	\$2,177	\$3,893,474	\$2,228
City of Malibu	\$208,080	\$119	\$212,242	\$121	\$216,487	\$124	\$220,817	\$126
Subtotal, Other local revenue	\$4,021,885	\$2,302	\$4,115,392	\$2,355	\$4,211,078	\$2,410	\$4,308,993	\$2,466
TOTAL REVENUES	\$32,384,677	\$18,536	\$33,614,586	\$19,240	\$34,894,630	\$19,972	\$36,226,883	\$20,735

*Assumes annual property tax growth of the following percentage:

4.22%

Santa Monica-Malibu Unified School District
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Change: Santa Monica USD from Santa Monica-Malibu USD				
	(Change per ADA)			
	2021-22	2022-23	2023-24	2024-25
LCFF State Aid	\$1,314	\$1,379	\$1,335	\$1,185
Minimum State Aid	(\$493)	(\$681)	(\$821)	(\$821)
Education Protection Account (EPA)	-	-	-	-
Property Tax*	(\$1,511)	(\$1,566)	(\$1,623)	(\$1,683)
RDA Distributions	\$254	\$270	\$287	\$305
Subtotal, LCFF Revenue	(\$436)	(\$599)	(\$823)	(\$1,013)
LCFF Calculated Funding	\$57	\$82	\$60	\$86
LCFF Revenue Above Calculated Funding	(\$493)	(\$681)	(\$883)	(\$1,099)
Education Foundation	\$50	\$51	\$52	\$53
Parcel Tax - Measure R	(\$168)	(\$172)	(\$176)	(\$180)
Local Option Use Tax - Measure Y	\$171	\$175	\$178	\$182
2016 Use Tax (ballot measure)	\$171	\$175	\$178	\$182
Ground lease revenue - Malibu	(\$18)	(\$18)	(\$18)	(\$19)
Ground lease revenue - Santa Monica	\$52	\$53	\$53	\$54
Malibu parcel tax (pending approval)	-	-	-	-
City of Santa Monica	\$187	\$191	\$195	\$199
City of Malibu	(\$20)	(\$20)	(\$21)	(\$21)
Subtotal, Other local revenue	\$427	\$434	\$442	\$449
TOTAL REVENUES	(\$10)	(\$164)	(\$381)	(\$564)

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Change: Malibu USD from Santa Monica-Malibu USD

	(Change per ADA)			
	2021-22	2022-23	2023-24	2024-25
LCFF State Aid	(\$327)	(\$140)	-	-
Minimum State Aid	\$327	\$140	(\$0)	(\$0)
Education Protection Account (EPA)	-	-	-	-
Property Tax*	\$7,502	\$7,774	\$8,056	\$8,347
RDA Distributions	(\$1,229)	(\$1,288)	(\$1,349)	(\$1,414)
Subtotal, LCFF Revenue	\$6,273	\$6,487	\$6,707	\$6,934
LCFF Calculated Funding	(\$284)	(\$291)	(\$299)	(\$307)
LCFF Revenue Above Calculated Funding	\$6,557	\$6,778	\$7,006	\$7,241
Education Foundation	(\$249)	(\$254)	(\$259)	(\$264)
Parcel Tax - Measure R	(\$1,239)	(\$1,269)	(\$1,298)	(\$1,329)
Local Option Use Tax - Measure Y	(\$855)	(\$872)	(\$890)	(\$908)
2016 Use Tax (ballot measure)	(\$855)	(\$872)	(\$890)	(\$908)
Ground lease revenue - Malibu	\$87	\$89	\$91	\$93
Ground lease revenue - Santa Monica	(\$260)	(\$262)	(\$265)	(\$267)
Malibu parcel tax (pending approval)	\$2,078	\$2,127	\$2,177	\$2,228
City of Santa Monica	(\$935)	(\$953)	(\$973)	(\$992)
City of Malibu	\$99	\$101	\$103	\$105
Subtotal, Other local revenue	(\$2,128)	(\$2,165)	(\$2,202)	(\$2,241)
TOTAL REVENUES	\$4,145	\$4,322	\$4,504	\$4,693

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Summary 2025-29

Santa Monica-Malibu USD								
	2025-26		2026-27		2027-28		2028-29	
		Per ADA		Per ADA		Per ADA		Per ADA
Average Daily Attendance	10,462		10,462		10,462		10,462	
LCFF State Aid	-	-	-	-	-	-	-	-
Minimum State Aid	\$8,585,843	\$821	\$8,585,843	\$821	\$8,585,843	\$821	\$8,585,843	\$821
Education Protection Account (EPA)	-	-	-	-	-	-	-	-
Property Tax*	\$99,760,302	\$9,535	\$104,528,844	\$9,991	\$109,525,323	\$10,469	\$114,760,633	\$10,969
RDA Distributions	\$15,497,139	\$1,481	\$16,237,902	\$1,552	\$17,014,074	\$1,626	\$17,827,347	\$1,704
Subtotal, LCFF Revenue	\$123,843,284	\$11,837	\$129,352,589	\$12,364	\$135,125,240	\$12,916	\$141,173,823	\$13,494
LCFF Calculated Funding	\$109,910,234	\$10,506	\$112,814,751	\$10,783	\$115,794,459	\$11,068	\$118,853,406	\$11,360
LCFF Revenue Above Calculated Funding	\$13,933,050	\$1,332	\$16,537,838	\$1,581	\$19,330,781	\$1,848	\$22,320,417	\$2,133
SM-M Education Foundation	\$2,815,400	\$269	\$2,871,700	\$274	\$2,929,100	\$280	\$2,987,700	286
Parcel Tax - Measure R	\$14,233,433	\$1,360	\$14,569,342	\$1,393	\$14,913,178	\$1,425	\$15,265,129	1,459
Local Option Use Tax - Measure Y	\$9,684,997	\$926	\$9,878,697	\$944	\$10,076,271	\$963	\$10,277,796	982
2016 Use Tax (ballot measure)	\$9,684,997	\$926	\$9,878,697	\$944	\$10,076,271	\$963	\$10,277,796	982
Ground lease revenue - Malibu	\$198,596	\$19	\$202,568	\$19	\$206,619	\$20	\$210,751	20
Ground lease revenue - Santa Monica	\$2,822,037	\$270	\$2,991,312	\$286	\$3,021,061	\$289	\$3,051,818	292
Malibu parcel tax (pending approval)	-	-	-	-	-	-	-	-
City of Santa Monica	\$10,585,926	\$1,012	\$10,797,645	\$1,032	\$11,013,598	\$1,053	\$11,233,870	\$1,074
City of Malibu	\$225,233	\$22	\$229,738	\$22	\$234,333	\$22	\$239,020	\$23
Subtotal, Other local revenue	\$50,250,619	\$4,803	\$51,419,699	\$4,915	\$52,470,431	\$5,015	\$53,543,881	\$5,118
TOTAL REVENUES	\$174,093,903	\$16,641	\$180,772,288	\$17,279	\$187,595,671	\$17,931	\$194,717,704	\$18,612

*Assumes annual property tax growth of the following percentage:

4.78%

Assumes LCFF growth of 2.67% annually beginning in 2019-20

Assumes 2017-18 as the earliest first year of reorganization

Santa Monica-Malibu Unified School District

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Santa Monica USD								
	2025-26		2026-27		2027-28		2028-29	
		Per ADA		Per ADA		Per ADA		Per ADA
Average Daily Attendance	8,715		8,715		8,715		8,715	
LCFF State Aid	\$8,474,047	\$972	\$6,901,927	\$792	\$4,762,874	\$547	\$2,884,593	\$331
Minimum State Aid	-	-	\$250,080	\$29	\$2,389,133	\$274	\$4,267,414	\$490
Education Protection Account (EPA)	-	-	-	-	-	-	-	-
Property Tax*	\$67,903,008	\$7,792	\$71,325,320	\$8,184	\$74,920,116	\$8,597	\$78,696,090	\$9,030
RDA Distributions	\$15,729,301	\$1,805	\$16,522,058	\$1,896	\$17,354,770	\$1,991	\$18,229,450	\$2,092
Subtotal, LCFF Revenue	\$92,106,356	\$10,569	\$94,999,385	\$10,901	\$99,426,893	\$11,409	\$104,077,547	\$11,943
LCFF Calculated Funding	\$92,106,356	\$10,569	\$94,749,305	\$10,872	\$97,037,760	\$11,135	\$99,810,133	\$11,453
LCFF Revenue Above Calculated Funding	-	-	\$250,080	\$29	\$2,389,133	\$274	\$4,267,414	\$490
Santa Monica Education Foundation	\$2,815,400	\$323	\$2,871,700	\$330	\$2,929,100	\$336	\$2,987,700	\$343
Parcel Tax - Measure R	\$10,248,073	\$1,176	\$10,489,928	\$1,204	\$10,737,490	\$1,232	\$10,990,895	\$1,261
Local Option Use Tax - Measure Y	\$9,684,997	\$1,111	\$9,878,697	\$1,134	\$10,076,271	\$1,156	\$10,277,796	\$1,179
2016 Use Tax (ballot measure)	\$9,684,997	\$1,111	\$9,878,697	\$1,134	\$10,076,271	\$1,156	\$10,277,796	\$1,179
Ground lease revenue - Santa Monica	\$2,822,037	\$324	\$2,991,312	\$343	\$3,021,061	\$347	\$3,051,818	\$350
City of Santa Monica	\$10,585,926	\$1,215	\$10,797,645	\$1,239	\$11,013,598	\$1,264	\$11,233,870	\$1,289
Subtotal, Other local revenue	\$45,841,430	\$5,260	\$46,907,979	\$5,383	\$47,853,791	\$5,491	\$48,819,875	\$5,602
TOTAL REVENUES	\$137,947,786	\$15,829	\$141,907,364	\$16,283	\$147,280,684	\$16,900	\$152,897,422	\$17,544

*Assumes annual property tax growth of the following percentage:

5.04%

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Malibu USD								
	2025-26		2026-27		2027-28		2028-29	
Average Daily Attendance	1,747		1,747		1,747		1,747	
LCFF State Aid	-	-	-	-	-	-	-	-
Minimum State Aid	\$1,433,836	\$821	\$1,433,836	\$821	\$1,433,836	\$821	\$1,433,836	\$821
Education Protection Account (EPA)	-	-	-	-	-	-	-	-
Property Tax*	\$31,770,481	\$18,184	\$33,111,195	\$18,951	\$34,508,487	\$19,751	\$35,964,745	\$20,585
RDA Distributions	-	-	-	-	-	-	-	-
Subtotal, LCFF Revenue	\$33,204,317	\$19,005	\$34,545,031	\$19,772	\$35,942,323	\$20,572	\$37,398,581	\$21,405
LCFF Calculated Funding	\$17,804,245	\$10,190	\$18,274,577	\$10,460	\$18,757,085	\$10,736	\$19,252,424	\$11,019
Amount Above Transition Funding	\$15,400,072	\$8,814	\$16,270,454	\$9,313	\$17,185,238	\$9,836	\$18,146,157	\$10,386
Malibu Education Foundation	-	-	-	-	-	-	-	-
Ground lease revenue - Malibu	\$198,596	\$114	\$202,568	\$116	\$206,619	\$118	\$210,751	\$121
Malibu parcel tax (pending approval)	\$3,985,360	\$2,281	\$4,079,414	\$2,335	\$4,175,688	\$2,390	\$4,274,234	\$2,446
City of Malibu	\$225,233	\$129	\$229,738	\$131	\$234,333	\$134	\$239,020	\$137
Subtotal, Other local revenue	\$4,409,189	\$2,524	\$4,511,720	\$2,582	\$4,616,640	\$2,642	\$4,724,005	\$2,704
TOTAL REVENUES	\$37,613,506	\$21,528	\$39,056,751	\$22,354	\$40,558,963	\$23,214	\$42,122,586	\$24,109

*Assumes annual property tax growth of the following percentage:

4.22%

Santa Monica-Malibu Unified School District
Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016
 (Rev. December 6, 2016)

Change: Santa Monica USD from Santa Monica-Malibu USD				
	(Change per ADA)			
	2025-26	2026-27	2027-28	2028-29
LCFF State Aid	\$972	\$792	\$547	\$331
Minimum State Aid	(\$821)	(\$792)	(\$547)	(\$331)
Education Protection Account (EPA)	-	-	-	-
Property Tax*	(\$1,744)	(\$1,807)	(\$1,872)	(\$1,939)
RDA Distributions	\$324	\$344	\$365	\$388
Subtotal, LCFF Revenue	(\$1,269)	(\$1,463)	(\$1,507)	(\$1,551)
LCFF Calculated Funding	\$63	\$89	\$67	\$92
LCFF Revenue Above Calculated Funding	(\$1,332)	(\$1,552)	(\$1,574)	(\$1,644)
Education Foundation	\$54	\$55	\$56	\$57
Parcel Tax - Measure R	(\$185)	(\$189)	(\$193)	(\$198)
Local Option Use Tax - Measure Y	\$186	\$189	\$193	\$197
2016 Use Tax (ballot measure)	\$186	\$189	\$193	\$197
Ground lease revenue - Malibu	(\$19)	(\$19)	(\$20)	(\$20)
Ground lease revenue - Santa Monica	\$54	\$57	\$58	\$58
Malibu parcel tax (pending approval)	-	-	-	-
City of Santa Monica	\$203	\$207	\$211	\$215
City of Malibu	(\$22)	(\$22)	(\$22)	(\$23)
Subtotal, Other local revenue	\$457	\$468	\$476	\$484
TOTAL REVENUES	(\$812)	(\$996)	(\$1,031)	(\$1,067)

Santa Monica-Malibu Unified School District
Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016
(Rev. December 6, 2016)

Change: Malibu USD from Santa Monica-Malibu USD

	(Change per ADA)			
	2025-26	2026-27	2027-28	2028-29
LCFF State Aid	-	-	-	-
Minimum State Aid	(\$0)	(\$0)	(\$0)	(\$0)
Education Protection Account (EPA)	-	-	-	-
Property Tax*	\$8,649	\$8,960	\$9,282	\$9,615
RDA Distributions	(\$1,481)	(\$1,552)	(\$1,626)	(\$1,704)
Subtotal, LCFF Revenue	\$7,167	\$7,408	\$7,656	\$7,911
LCFF Calculated Funding	(\$315)	(\$324)	(\$332)	(\$341)
LCFF Revenue Above Calculated Funding	\$7,483	\$7,732	\$7,988	\$8,253
Education Foundation	(\$269)	(\$274)	(\$280)	(\$286)
Parcel Tax - Measure R	(\$1,360)	(\$1,393)	(\$1,425)	(\$1,459)
Local Option Use Tax - Measure Y	(\$926)	(\$944)	(\$963)	(\$982)
2016 Use Tax (ballot measure)	(\$926)	(\$944)	(\$963)	(\$982)
Ground lease revenue - Malibu	\$95	\$97	\$99	\$100
Ground lease revenue - Santa Monica	(\$270)	(\$286)	(\$289)	(\$292)
Malibu parcel tax (pending approval)	\$2,281	\$2,335	\$2,390	\$2,446
City of Santa Monica	(\$1,012)	(\$1,032)	(\$1,053)	(\$1,074)
City of Malibu	\$107	\$110	\$112	\$114
Subtotal, Other local revenue	(\$2,280)	(\$2,333)	(\$2,373)	(\$2,414)
TOTAL REVENUES	\$4,888	\$5,075	\$5,283	\$5,497

Appendix B—Modeling and Revenue Forecasting Assumptions

LCFF Factors and Assumptions

Key drivers of LCFF revenues for school districts are annual COLAs applied to the LCFF target grants; changes in local revenues that offset state aid; temporary tax revenue that supplements state aid; changes in ADA; and gap closure funding during the transition years to full LCFF implementation. Our analysis of the financial effect of dividing the District into two separate school districts, one serving Santa Monica city students and the other serving students in Malibu and surrounding areas, is based on estimations of the division of property tax revenue, student enrollment, and other assumptions that we have used regarding forecasts of future conditions among the existing and proposed school districts.

Where our analysis supports the assumptions used in previous feasibility studies and reports about the proposed reorganization of the District, we have used those earlier assumptions to provide analytic consistency. Following are the factors we have used in this report to estimate and project the future financial effects of reorganizing the District, and an identification of the key differences in our estimates compared with the District adopted budget and multiyear forecast.

✚ Differences Between the District Adopted 2016-17 Budget and the SSC Forecast—We have based our forecast on estimated actual revenue data provided by the District for the 2015-16 budget year and estimates that formed the basis for the District’s 2016-17 adopted budget. We have used the LCFF multiyear spreadsheet tool provided by the District as the foundation for building out our short-term and long-term forecasting model. Although we have used District-provided tools and data as our starting point, we have used updated information when it was available so that our forecast reflects the most recent actual data at this time.

We believe that our forecast is consistent with the District’s budget and multiyear estimates, but it is not our intent to replicate the work the District performed in preparation of their budget. Following are key differences between the District’s LCFF budget/multiyear estimates and our forecast:

- The District has received additional allocations of property taxes since the budget estimates were prepared, increasing property tax revenue in 2015-16 by about \$3 million. We use the most recent report of actual tax proceeds in our forecasting model.
- This report uses the most recently updated gap closure percentages provided by the Department of Education for 2015-16 and estimated by the DOF for future years.

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

September 14, 2016

Report Prepared for the Malibu Unification Negotiating Committee

(Rev. December 6, 2016)

- The District has used a 5% annual property tax growth estimate, while our baseline forecast employs a slightly lower 4.78% estimate of future growth in property taxes.

How does this affect our forecast when compared with current District estimates? Because of high local revenues, the District is very close to the line between being in state aid status and minimum state aid status. The combination of higher initial property taxes in 2015-16 and slightly lower gap closure percentage estimates from the DOF for future years causes our forecast to show the District returning to minimum state aid status in 2017-18, earlier than estimated by the District at the time of budget adoption.

Following is a table that compares the gap closure percentages that were the latest available when the District prepared its 2016-17 budget with the gap closure percentages we have used in our forecast.

	2015-16	2016-17	2017-18	2018-19
District Budget	51.97%	54.84%	73.96%	41.22%
DOF Forecast	52.56%	54.18%	72.99%	40.36%

- ✚ **COLA and Gap Closure Percentages**—We have used actual values or DOF estimates of the annual statutory COLA for LCFF target grants and for LCFF gap closure percentages in each year from 2015-16 through 2019-20, the last year for which DOF estimates are available. In subsequent years we annually increase the LCFF grants by the COLA percentage estimated for 2019-20. The Administration’s plan for LCFF assumes full implementation in 2020-21, and for that reason we have used a 100% gap closure percentage in that year.

Table B1 Department of Finance Estimates Cost of Living Annual Percentage and LCFF Gap Closure Percentage						
	2015-16*	2016-17*	2017-18	2018-19	2019-20	2020-21
COLA	1.02%	0.00%	1.11%	2.42%	2.67%	2.67%
Gap Closure	52.56%	54.18%	72.99%	40.36%	73.98%	100.00%
* 2015-16 and 2016-17 COLA percentages, and the 2015-16 gap closure percentage, are actuals						

- ✚ **Division of Property Tax Revenues**—The total assessed value (AV) on the secured and unsecured tax rolls of Los Angeles County for the city of Malibu and the city of Santa Monica is shown in Table B2. In 2015, Malibu accounted for about 31% and Santa Monica for 69% of the total value of taxable property in the two cities. The WestEd feasibility study attributed 33.6% of the District property tax revenue, excluding RDA distributions, to Malibu and the surrounding unincorporated area that would be part of a newly formed Malibu district. We believe this estimate is consistent with the proportional AV shares for each city and have used

a division of 33.6% of District property tax revenues initially allocated to MUSD and 66.4% allocated to SMUSD, based on 2015-16 property tax revenues reported by the District.


 **Property Tax Growth**—Property tax collections are based on AV, so there is a high correlation between changes in AV and changes in the amount of property tax revenues received by a school district. We have reviewed changes in AV over time for the two cities that comprise the District to establish estimates for annual changes in property tax revenues for each of the school district configurations.

Table B2 shows AV for both Santa Monica and Malibu during the 12-year period from 2003 through 2015. Over that time period, which includes the Great Recession of 2008-09, change in AV for both communities can be seen to vary widely. The table also shows the annual average percentage change for each city and the cities combined over three time periods: for 12 years from 2003-2015; for 6 years from 2009-2015; and for the most recent 3-year period from 2012-2015. The 12-year average shows the highest percentage growth in AV, more than 6% annually across both communities, reflective of the boom years of growth in property values prior to the Recession. The six-year average reflects the heavy influence of the “bust” in the property valuation balloon during the Recession, with average annual change dropping below 4%.

Our report uses the three-year average annual percentage growth in AV as the baseline estimate of annual property tax increases that are applied to our forecast for each of the three school district configurations. This average reflects the most recent trends in AV for the communities involved, absent the impact of both the real estate bubble and subsequent bursting of that bubble during the Recession. For MUSD we assume a 4.22% annual increase in property tax revenue, for SMUSD we use 5.04%, and for the District we use 4.78%.

In addition to the baseline forecast we assess the impact of higher or lower average annual rates of property tax growth on LCFE entitlements for the school districts under alternative scenarios. Although for the purpose of forecasting future financial impact we believe that applying averages to govern annual changes in key factors allows us to identify trends, as seen in the 12-year AV history, actual annual changes in property tax revenues for any given year can vary significantly.

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

September 14, 2016

Report Prepared for the Malibu Unification Negotiating Committee

(Rev. December 6, 2016)

<i>Assessed Valuation*</i>							
Year	Malibu	% Change	% of Total	Santa Monica	% Change	% of Total	Total
2015	\$12,860,626,193	3.79%	30.74%	\$28,974,388,499	5.29%	69.26%	\$41,835,014,692
2014	\$12,373,220,982	5.79%	31.08%	\$27,440,683,662	6.38%	68.92%	\$39,813,904,644
2013	\$11,657,332,875	3.14%	31.21%	\$25,690,700,032	4.37%	68.79%	\$37,348,032,907
2012	\$11,290,899,099	3.46%	31.49%	\$24,567,866,023	3.10%	68.51%	\$35,858,765,122
2011	\$10,899,776,633	1.17%	31.41%	\$23,805,129,858	-0.90%	68.59%	\$34,704,906,491
2010	\$10,772,366,532	5.60%	30.96%	\$24,019,678,863	2.53%	69.04%	\$34,792,045,395
2009	\$10,168,585,670	8.76%	30.28%	\$23,411,970,205	9.78%	69.72%	\$33,580,555,875
2008	\$9,277,803,520	8.75%	30.52%	\$21,121,981,564	6.71%	69.48%	\$30,399,785,084
2007	\$8,465,602,275	12.58%	30.05%	\$19,704,867,414	8.16%	69.95%	\$28,170,469,689
2006	\$7,400,873,218	10.80%	29.02%	\$18,097,807,433	8.59%	70.98%	\$25,498,680,651
2005	\$6,601,919,481	9.23%	28.52%	\$16,543,617,285	5.05%	71.48%	\$23,145,536,766
2004	\$5,992,675,814	9.40%	27.62%	\$15,708,094,524	7.07%	72.38%	\$21,700,770,338
2003	\$5,429,554,435		27.11%	\$14,597,773,567		72.89%	\$20,027,328,002


Average	2003-2015	7.45%		2003-2015	5.88%		2003-2015	6.33%
	2009-2015	4.00%		2009-2015	3.62%		2009-2015	3.73%
	2012-2015	4.22%		2012-2015	5.04%		2012-2015	4.78%


* Secured and Unsecured, net of exemptions


Redevelopment Agency-Related Income—The District receives additional local revenues from the tax increment that formerly accrued to the RDA within its boundaries. The former RDA was in the city of Santa Monica, so all revenues received from that source are credited to the SMUSD under a reorganization. We have used the most recent district estimates of RDA pass through and residual distribution income provided by the District through 2019-20. Thereafter, we annually increase post-RDA income by the SMUSD annual average increase to local property taxes.

Enrollment and Average Daily Attendance—To be consistent with previous feasibility study work regarding a reorganization of the District we used an historical division of enrollment between Santa Monica schools and Malibu schools of 83.3% and 16.7%, respectively, and applied those percentages to the District estimates of ADA that we used in our baseline forecast. For our long-term forecast we carried forward the District's 2017-18 ADA estimate and held it constant for each additional year of the forecast period. We also reviewed the California Basic Educational Data System (CBEDS) fall enrollment reported for 2015-16, and we allocated the 2015-16 enrollment of each school within the District to either SMUSD or MUSD. Based on the CBEDS data, the proportional division of enrollment

between the two districts was 84.1% for SMUSD and 15.9% for MUSD in that year. In addition to our baseline forecast, we modeled this percentage allocation of ADA to each district to assess sensitivity to distributional changes in ADA. When applied in our forecasting model, the slightly higher share of enrollment for SMUSD and correspondingly lower share for MUSD does result in a shift of resources, the impact slightly reducing net revenues per ADA for SMUSD and increasing net revenues per ADA for MUSD. This modest change in the distribution of enrollment and ADA does not, however, change the trends or conclusions resulting from our baseline analysis. It does reflect MUSD's sensitivity to the impact of enrollment swings in a basic aid school district, as noted in our findings.

 **Unduplicated Pupil Percentage**—The percentage of students enrolled in a district who are English learners, from low-income families, or foster youth determines the additional revenues a school district receives through the supplemental and concentration grant provisions of the LCFF. That percentage is called the Unduplicated Pupil Percentage (UPP), and the District's UPP is 29.03%. The SMUSD attendance area includes a higher proportion of eligible pupils than MUSD relative to enrollment, so the SMUSD has a higher UPP than the District. We use an estimated UPP of 32.25% of enrollment for SMUSD and 12.97% for MUSD in each year of the forecast. While supplemental grants are calculated for both of the newly formed school districts based on these percentages, the UPP for the districts is below the threshold to qualify for concentration grant funding.

 **Minimum State Aid**—The District's LCFF minimum state aid is \$8,585,843. There is no statutory requirement or administrative guidance regarding how the entitlement to minimum state aid should be divided among school districts in the event of a reorganization. We have assumed that a proportional division based on the allocation of student enrollment and ADA among the school districts is reasonable and would likely be an acceptable approach for those charged with reviewing a proposed reorganization. We have allocated 83.3%, or \$7,152,007, to SMUSD and 16.7%, or \$1,433,836, to MUSD. Although we believe this is a reasonable approach, it may not be the only acceptable method for allocating minimum state aid.

 **Education Protection Account Proposition 30 Revenues**—The existing school district and both newly proposed school districts qualify for the \$200 per-ADA minimum allocation of EPA funds. We show EPA funding through 2018-19 for the three district configurations, at which time the temporary taxes enacted through Proposition 30 will have expired. Proposition 55 on the November 2016 ballot will, if approved, extend the income tax surcharge on high-income earners and the minimum allocation of \$200 per ADA from the revenues generated by the tax.

Appendix C—Ground Lease Revenue Documentation



SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

July 15, 2016

TO: Board of Education

FROM: Carey Upton

RE: Lease Update

The Facility Use Department manages the minor leases of SMMUSD property. A number of leases were renewed at the start of this fiscal year. Some of the leases are renewed annually. Others have different terms. The fee structures differ from one to another.

CURRENT DISTRICT LEASES AS OF JULY 1, 2016

MALIBU:

<u>District Site</u>	<u>Lessee</u>	<u>Lease Term</u>	<u>Annual Amount</u>
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Pt Dume Elementary	Children’s Creative Workshop	Annual – Fiscal year	\$30,891.71 less (2) months rent.
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Rooms 8, 9 & storeroom, along with 4,344 square feet of improved land for patio & playyard,

In accordance with our MOU with CCW for “peer integration” of our special education students, we do not charge rent for July and August. CCW has a 5.9% share of utilities.

Webster Elementary	Palisades YMCA	Annual – Fiscal year	\$81,823.32
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Room 1 and adjacent patio

Rent is reduced for months not used (typically August). They are to notify the district of said month and do not pay utilities.

Webster Elementary	Vista Pacifica Townhome Owners Association	Annual – Calendar year	\$65,427.24
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10,240 square feet of ground area

Per the terms of the lease, a bi-annual rent increase based on the current Consumer Price Index is allowed (page 3, paragraph 3.B) as of January 1st. Next increase will be invoiced for January – December 2017.

Malibu High School	Malibu Foundation for Youth & Families aka Malibu Boys and Girls Club	7/1/2014-6/30/2019	\$1.00/year
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18,468 square feet for Clubhouse at Malibu HS and 5844 square feet including two bungalows at Juan Cabrillo ES.

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

September 14, 2016

Report Prepared for the Malibu Unification Negotiating Committee

(Rev. December 6, 2016)

FACILITY USE DEPARTMENT

9/13/2016

PAGE 2

SANTA MONICA:

<u>District Site</u>	<u>Lessee</u>	<u>Lease Term</u>	<u>Annual Amount</u>	
900 Colorado	STG Three Properties	7/1/85-7/1/2051	\$780,000	
Washington East	The Growing Place	7/1/2014- 6/30/2024	2016-17	\$165,619.36
			2017-18	\$178,040.81
			2018-19	\$186,942.85
			2019-20	\$196,289.99
			2020-21	\$206,104.49
			2021-22	\$216,409.72
			2022-23	\$227,230.20
		2023-24	\$238,591.71	

6,881 square feet of offices and classrooms & 40,399 exterior square feet. They pay their own utilities.

John Adams	Boys and Girls Club of Santa Monica	7/1/2007- 6/30/2032	\$1.00/year
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They have a building with two rooms and adjacent gated patio on the site.

Madison	Santa Monica College	9/24/1990- 1/1/2056	2016-17 \$913,996 Note: Rent increases every 5 years - next increase occurs in 2021-22
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This lease reverts to us in 2056 and will include all the improvements they've made (including the Broad Theatre). Per the terms of the September 24, 1990 lease, upon commencement of the twenty-first year from the Annual Rent Commencement Date (2011) and every five years thereafter, the base rent shall be increased to reflect the aggregate increase, if any, in the cost of living adjustment for community colleges (COLA) over the prior five years, as approved each year by the State Legislature (page 9, paragraph section 5.4).

Doubletree Hotel	The Procaccianti Group	7/1/85-7/1/2051	\$653,755
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This is for the 4th Street and 4th Street adjacent properties. This lease is currently being renegotiated.

DISTRICT AS LESSEE:

<u>District Site</u>	<u>Lessor</u>	<u>Lease Term</u>	<u>Annual Amount</u>	
1630 17 th Street	STG Three Properties <i>(via sublease from the City of Santa Monica)</i>	5/1/2014- 8/31/2021	5/1/2016-4/30/2017	\$115,290.12
			5/1/2017-4/30/2018	\$118,748.88
			5/1/2018-4/30/2019	\$122,311.32
			5/1/2019-4/30/2020	\$125,980.68
			5/1/2020-4/30/2021	\$129,760.08
		5/1/2021-8/31/2021	\$133,652.88	

FACILITY USE DEPARTMENT

9/13/2016

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This is for Ed Services office space. Rent does not include common area maintenance charges, parking space fees, and/or other triple net costs. These fees are billed separately.

1634 16 th Street	STG Three Properties	2/1/2016-1/31/2019	2/1/2016-1/31/2017	\$73,476.00
			2/1/2017-1/31/2018	\$75,680.28
			2/1/2018-1/31/2019	\$77,950.68

This is for Education Foundation office space. Rent does not include common area maintenance charges, parking space fees, and/or other triple net costs. These fees are billed separately.

Please contact Jan Maez or Carey Upton if you have any questions about these leases.

Warmly,

Carey Upton

MEMORANDUM

AUSTIN
DEL MAR HEIGHTS
PHOENIX
SAN DIEGO
SILICON VALLEY

TO: Malibu Unification Negotiation Committee
Santa Monica-Malibu Unified School District

FILE NO: 123956-01

FROM: John C. Lemmo

DATE: July 21, 2016

RE: Reorganization of Santa Monica-Malibu Unified School District:
Questions Regarding General Obligation Bond Allocation

This Memorandum addresses requested legal and financial considerations regarding general obligation bonds, whether issued by the District and currently outstanding, or unissued but authorized by vote of at least 55% within the District as a whole and within the two districts that would result from reorganization of the District. This Memorandum is intended to supplement and not repeat the Nielsen Merksamer analysis of existing statutory provisions regarding allocations to be made with respect to bonds.

You have asked four related questions for guidance. The questions are repeated below, followed by our responses.

1, What are alternative methods of allocating SMMUSD's issued bond debt?

It is important to first note that any reorganization that affects property securing outstanding bonds would be subject to immediate mandatory disclosure to the bond market and could affect the credit ratings on the bonds and consequent market prices and values of bonds held by investors. Any method of allocation should consider this factor, with appropriate evaluation from a financial consultant and possibly the bond rating agencies directly. The terms of reorganization should be disclosed as soon as feasible to mitigate any effect of uncertainty on the market price for bonds traded in the secondary market.

Without regard to special "fairness" allocations relating to specific facility location or use, there are at least four alternative bases for allocations relative to assessed property value, and all may affect existing bond investors and bond credit ratings:

- a. Allocation based upon relative assessed values on the most recent assessment rolls as of the effective date of reorganization. This is the simplest method. However, it may not equitably allocate debt over time as assessed values may rise and fall unevenly.

- b. Allocation based upon relative assessed values re-determined year-by-year for the remaining duration of each bond issue. This method is likely the most equitable, but also includes annual calculation work (additional cost).
- c. Allocation based upon relative assessed values on the most recent assessment rolls as of the date of each bond issue. This method would tend to allocate based upon outdated values that may conflict with more current information available to bond investors.
- d. Allocation based upon relative assessed values on the most recent assessment rolls as of the date of each voter authorization. This method would tend to allocate based upon outdated values that may conflict with more current information available to bond investors.

2. What are alternative methods of allocating the authority to issue future bonds that have been authorized but not yet issued?

The method of allocation of assessed property values and the fluctuation in values and tax delinquencies may affect the credit rating and consequent cost of borrowing under authorized bonds to be issued in the future. The fairness of any method of allocation may likewise reflect the value and service areas of specific projects to be financed with unissued bonds.

As discussed in the Nielsen Merksamer memo, the Education Code does not directly address allocation of voter-approved authority for future bonds in your situation, where an existing district reorganizes into two. In your situation, there appear to be three alternatives:

- a. Include allocation of bonding authority in the reorganization petition itself. The petition could allocate the authority based upon relative assessed values at time of election or reorganization. This method is vulnerable to a taxpayer challenge (lawsuit), and should therefore be judicially validated after reorganization. If there is an opponent, it could take significant time to resolve, and has risk of being set aside by court as invalid.
- b. Special legislation. This is a much safer and surer approach, with some legislative precedent. For example, the Wiseburn and Centinela districts successfully utilized special legislation with regard to indebtedness and revenue limit, as discussed in the Nielsen Merksamer memo. The special legislation would be processed concurrently with the reorganization petition.
- c. Joint Powers Authority. An alternative option would be the formation of a joint powers authority that would control issuance of bonds remaining under existing voter authorization. Through the new JPA entity, the two districts could use all or part of the remaining combined voter authorization for the issuance of specific series of bonds to be secured by assessed property value allocations specific to the value and service areas of the projects. The allocation could be relative to prevailing assessed values at the time of each bond issue. Each district could have equal voting representation in the JPA to help ensure equitable allocation. The JPA's power to issue new-money bonds could terminate upon full use of existing bonding authority,

but otherwise the JPA could continue in order to maximize the ability of both districts to obtain more favorable ratings for future bond measures or to refinance outstanding debt of the JPA or of either or both resulting districts on more favorable market terms.

3. How would reorganization affect the future bonding capacity of a separate SMUSD and MUSD?

Each district would have its capacity affected (reduced) by the allocation of debt and authorization discussed above. A more significant consideration is that the two smaller districts would each likely obtain less favorable treatment from the rating agencies than the current, larger SMMUSD. The rating differences would reflect factors beyond relative assessed property values, such as diversity of land use and ownership or local geologic hazards.

4. Are there additional issues related to bonds/debt that the Committee should address as part of their package of recommendations to the Board of Education regarding the financial aspects of separation?

Restrictive financial covenants. One potential aspect of reorganization could involve one or more restrictive financial covenants applicable to property remaining encumbered by existing or future bond issues. Either or both resulting districts might agree to not encumber such property further unless certain conditions are satisfied, such as any new property encumbrance secured on a parity basis with outstanding bonds may be conditioned on reaffirmation of credit ratings on outstanding bonds. If reaffirmation were not possible, then subordinated bonds could be issued (but the cost of borrowing under subordinated bonds would be higher due to greater exposure to the impact of property value fluctuations and tax delinquencies, some of which might be mitigated with debt service reserve funds.)

New Voter Authorizations. Obviously, each resulting district may seek its own new voter authorization for bonds. However, to the extent the property to be taxed for bonds issued under the new authorization already secures the payment of existing bonds outstanding, similar considerations may arise warranting restrictive financial covenants. So if the JPA option is pursued, the JPA might continue to function not only until existing voter authorizations are exhausted, but also until all bonds outstanding as of the effective date of reorganization are retired.

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MEMORANDUM

AUSTIN
DEL MAR HEIGHTS
PHOENIX
SAN DIEGO
SILICON VALLEY

TO: Malibu Unification Negotiation Committee
Santa Monica-Malibu Unified School District

FILE NO: 123956-01

FROM: John C. Lemmo

DATE: August 8, 2016

RE: Reorganization of Santa Monica-Malibu Unified School District:
Questions Regarding Environmental Conditions at Malibu School Sites, and Allocation
of Potential Liability

This Memorandum addresses requested legal considerations regarding known environmental conditions at the Malibu school sites, and allocation of potential liabilities between the two districts that would result from reorganization of the District.

You have asked several related questions for guidance. The questions are repeated below, followed by our responses. First, we provide a background statement that provides our assumptions and facts as we understand them.

BACKGROUND

All facts and assumptions discussed herein were obtained from publicly accessible documentation. Environmentally impaired or contaminated properties raise issues and concerns that relate to the type, quantity and concentration of, and human exposure to, substances of concern. There are many factors that affect how property owners and other responsible parties address the presence of hazardous or toxic substances. Those factors include the ambient or “background” conditions, and stability of substances if they can remain undisturbed (e.g., managed, capped or sealed). These matters are the subject of numerous statutes, standards, and regulations that are important considerations for construction and use of school sites in California.

We understand that the District undertook modernization projects at the combination Malibu school site several years ago. Trenching and other construction activity generated dust, and employees and others raised concerns about indoor air quality. As part of a CEQA and/or PEA-related study, the District detected the presence of PCBs and other contaminants, some in very high concentrations. PCBs were used as a plasticizer in construction materials until banned in the 1970s. The potential adverse health effects of PCBs have been widely studied. The District elected to perform soil removal as mitigation.

In 2013-2014, the District performed an aggressive indoor air assessment with US EPA oversight, and DTSC provided regulatory oversight for the project PEA. The District's indoor air quality survey detected PCBs in caulk samples at both school sites. A group of employees and school parents advocated for strict remediation of the concerns.

The District developed a management plan for PCBs, similar to an asbestos abatement plan to ensure an exposure-sensitive method of dealing with the contaminants. In 2015, the District began to implement abatement activity for all known areas of concerns. Plaintiffs filed a TSCA-based lawsuit in federal court. Plaintiffs independently performed additional sampling, which resulted in additional locations to be abated. Renovations commenced in summer 2016, and are underway.

The plaintiffs seek injunctive relief under the federal Toxic Substances Control Act ("TSCA", 15 U.S.C. §2601 *et seq.*) The trial occurred a few months ago, and post-trial briefing concluded in June. The parties expect a ruling from Judge Anderson in mid- to late August. A ruling in plaintiff's favor would likely be in the form of injunctive relief, such as an order that the District prepare an abatement or management plan similar to that which it has already completed. Remediation of contaminants is included in the school sites development plan, expected to be completed by 2020. It is our understanding that all detected PCB areas of concern have been remediated. To the extent future detections occur, they will be managed pursuant to the development plan.

QUESTIONS FROM COMMITTEE

1. "How to accomplish the objective (as stated in the Board's December 17, 2015 action) to establish a structure under which MUSD assumes responsibility for any and all environmental liabilities arising from the ownership, use and operation of the Malibu schools and other Malibu property transferred to MUSD and releases, indemnifies and defends SMUSD for any future claims arising from such liabilities.

Related sub-issues identified by the Committee include the following:

- *Presence or potential presence of hazardous substances on or at Malibu facilities;*
- *Current or potential directives or requirements regarding environmental conditions from responsible government agencies;*
- *Current or potential claims or actions by third parties or school employees relating to environmental conditions at Malibu facilities."*

The Board objective stated in its December 17, 2015 action was somewhat narrower than the Committee's restatement. The documentation we have been provided specifies that "MUSD assumes responsibility for any remaining remediation of any contamination in Malibu schools and indemnifies SMUSD for any future claims arising from such remediation work or failure to undertake appropriate work." The Committee is directed to negotiate "how" this will be implemented. We further note that a November 2015 resolution stated that "MUSD, not SMUSD, should be responsible for any reasonably necessary remediation of environmental contaminants, including [PCBs], from the schools located within MUSD."

The current ongoing remediation of PCBs appears to be fully contemplated in the District development plan, and funded by the bond program. After reorganization is complete and MUSD

exists as its own district, any future project development and remediation would be fully borne by MUSD. The reorganization resolution would specify that each district would bear full responsibility for school sites and future projects within each district.

Future remediation liability and costs are commonly a concern for transactions involving environmentally-impaired properties. This is a key reason many impaired commercial and industrial properties remain as un- or underutilized “blight” in many communities. Here, the school properties will transfer as part of the reorganization and will continue as operating schools. The reorganization itself provides an opportunity to include the transfer of future remediation costs as part of the asset/liability transfer.

To the extent the future MUSD undertakes new remediation (or any other project for that matter), it would generally be solely responsible for any liabilities or harm arising from that activity. The SMUSD should have no significant exposure for those future projects, because they would be MUSD’s projects. However, a potential claimant could be expected to argue that the SMUSD is really a successor entity to the SMMUSD, and to the extent the SMMUSD was a responsible party to an environmental release or use of hazardous substances, it should bear some or all of the liability. Therefore, MUSD can and should indemnify the SMUSD against any claims arising from future remediation within the MUSD as part of the distribution of assets at reorganization. Similarly, the SMUSD should indemnify the MUSD against such claims related to Santa Monica school sites, in that a potential claimant could argue that MUSD is a successor entity to SMMUSD.

There may be additional or “new” environmental concerns yet to be discovered at the Malibu sites. That is equally true for the Santa Monica sites. The Committee could recommend that the District perform further assessment of the sites, and perhaps intrusive Phase II testing if recommended by an environmental consultant. In commercial property transactions, thorough environmental diligence is an important factor in establishing terms of “the deal” and indemnification. It is difficult, and risky, to guess at potential exposure for environmental impairment without first conducting sufficient baseline diligence (the “Phase I” review). Here, it appears that the District has already undertaken significant review and analysis of the environmental condition of the sites through its CEQA and PEA reviews, and its PCB remediation overseen by US EPA. In light of the foregoing, indemnification as part of reorganization appears reasonable and the most appropriate path.

We have not been informed about any directives or additional requirements being imposed by any regulatory authorities. There is no requirement that MUSD or SMUSD look for or seek out environmental concerns in the absence of some triggering activity (a “project”) that might disturb or affect the existing conditions. However, when PCBs or other contaminants are detected or suspected as part of future activities at the sites, MUSD will bear costs and liabilities for remediation and compliance with applicable law.

You asked about third-party claims related to environmental liability. Exposures can relate to adjacent or nearby property owners and adverse health effect to exposed individuals. This area of law is often referred to as “toxic tort” liability, and is complex. It is beyond the scope of this brief memo to quantify risk with regard to the Malibu sites. However, the reorganization resolution should specify that liability for existing conditions and future activity at the Malibu sites shall be fully borne by MUSD, and SMUSD shall be indemnified accordingly. This can and should be done as part of the allocation of assets and liabilities.

For the remediation activity SMMUSD is currently conducting, the Committee may wish to recommend that both SMUSD and MUSD share liability and defense costs for claims arising therefrom. This might help address any questions from Malibu constituents concerning whether SMMUSD is diligently completing the work it set out to do to benefit the Malibu schools, utilizing bond funds.

2. *“How to accomplish the objective (as stated in the Board's December 17, 2015 action) for dismissal of the pending lawsuit brought by America Unites against SMMUSD, assuming it is still pending or on appeal on the date of separation, or an enforceable agreement from the plaintiffs that SMUSD will be dismissed from the lawsuit.”*

The duty to defend and liability for pending claims against SMMUSD that are specific to the Malibu sites should be allocated at date of reorganization. It is our understanding that the trial court is expected to issue a final ruling this month in the America Unites case. Either party may appeal. To the extent there is an appeal of the America Unites case, the plaintiffs can continue to control who the defendant(s) is/are. Best efforts can be made with regard to dismissal of SMUSD. In any event, MUSD can agree to assume the duty to defend and any liability (injunctive relief) in the case for both MUSD and SMUSD. “Dismissal” with prejudice may not be within the control of MUSD absent final resolution of the litigation.

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SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

July 15, 2016

TO: Board of Education

FROM: Carey Upton

RE: Lease Update

The Facility Use Department manages the minor leases of SMMUSD property. A number of leases were renewed at the start of this fiscal year. Some of the leases are renewed annually. Others have different terms. The fee structures differ from one to another.

CURRENT DISTRICT LEASES AS OF JULY 1, 2016

MALIBU:

<u>District Site</u>	<u>Lessee</u>	<u>Lease Term</u>	<u>Annual Amount</u>
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Pt Dume Elementary	Children’s Creative Workshop	Annual – Fiscal year	\$30,891.71 less (2) months rent.
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Rooms 8, 9 & storeroom, along with 4,344 square feet of improved land for patio & playyard,

In accordance with our MOU with CCW for “peer integration” of our special education students, we do not charge rent for July and August. CCW has a 5.9% share of utilities.

Webster Elementary	Palisades YMCA	Annual – Fiscal year	\$81,823.32
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Room 1 and adjacent patio

Rent is reduced for months not used (typically August). They are to notify the district of said month and do not pay utilities.

Webster Elementary	Vista Pacifica Townhome Owners Association	Annual – Calendar year	\$65,427.24
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10,240 square feet of ground area

Per the terms of the lease, a bi-annual rent increase based on the current Consumer Price Index is allowed (page 3, paragraph 3.B) as of January 1st. Next increase will be invoiced for January – December 2017.

Malibu High School	Malibu Foundation for Youth & Families aka Malibu Boys and Girls Club	7/1/2014-6/30/2019	\$1.00/year
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18,468 square feet for Clubhouse at Malibu HS and 5844 square feet including two bungalows at Juan Cabrillo ES.

SANTA MONICA:

<u>District Site</u>	<u>Lessee</u>	<u>Lease Term</u>	<u>Annual Amount</u>
900 Colorado	STG Three Properties	7/1/85-7/1/2051	\$780,000
Washington East	The Growing Place	7/1/2014-6/30/2024	2016-17 \$165,619.36
			2017-18 \$178,040.81
			2018-19 \$186,942.85
			2019-20 \$196,289.99
			2020-21 \$206,104.49
			2021-22 \$216,409.72
			2022-23 \$227,230.20
			2023-24 \$238,591.71

6,881 square feet of offices and classrooms & 40,399 exterior square feet. They pay their own utilities.

John Adams	Boys and Girls Club of Santa Monica	7/1/2007-6/30/2032	\$1.00/year
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They have a building with two rooms and adjacent gated patio on the site.

Madison	Santa Monica College	9/24/1990-1/1/2056	2016-17 \$913,996 Note: Rent increases every 5 years - next increase occurs in 2021-22
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This lease reverts to us in 2056 and will include all the improvements they've made (including the Broad Theatre). Per the terms of the September 24, 1990 lease, upon commencement of the twenty-first year from the Annual Rent Commencement Date (2011) and every five years thereafter, the base rent shall be increased to reflect the aggregate increase, if any, in the cost of living adjustment for community colleges (COLA) over the prior five years, as approved each year by the State Legislature (page 9, paragraph section 5.4).

Doubletree Hotel	The Procaccianti Group	7/1/85-7/1/2051	\$653,755
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This is for the 4th Street and 4th Street adjacent properties. This lease is currently being renegotiated.

DISTRICT AS LESSEE:

<u>District Site</u>	<u>Lessor</u>	<u>Lease Term</u>	<u>Annual Amount</u>
1630 17 th Street	STG Three Properties <i>(via sublease from the City of Santa Monica)</i>	5/1/2014-8/31/2021	5/1/2016-4/30/2017 \$115,290.12
			5/1/2017-4/30/2018 \$118,748.88
			5/1/2018-4/30/2019 \$122,311.32
			5/1/2019-4/30/2020 \$125,980.68
			5/1/2020-4/30/2021 \$129,760.08
			5/1/2021-8/31/2021 \$133,652.88

This is for Ed Services office space. Rent does not include common area maintenance charges, parking space fees, and/or other triple net costs. These fees are billed separately.


1634 16 th Street	STG Three Properties	2/1/2016-1/31/2019	2/1/2016-1/31/2017	\$73,476.00
			2/1/2017-1/31/2018	\$75,680.28
			2/1/2018-1/31/2019	\$77,950.68

This is for Education Foundation office space. Rent does not include common area maintenance charges, parking space fees, and/or other triple net costs. These fees are billed separately.

Please contact Jan Maez or Carey Upton if you have any questions about these leases.

Warmly,

Carey Upton



A California Public Agency

Alliance of Schools for Cooperative Insurance Programs

Your Partner to Safer Schools

The ASCIP Difference

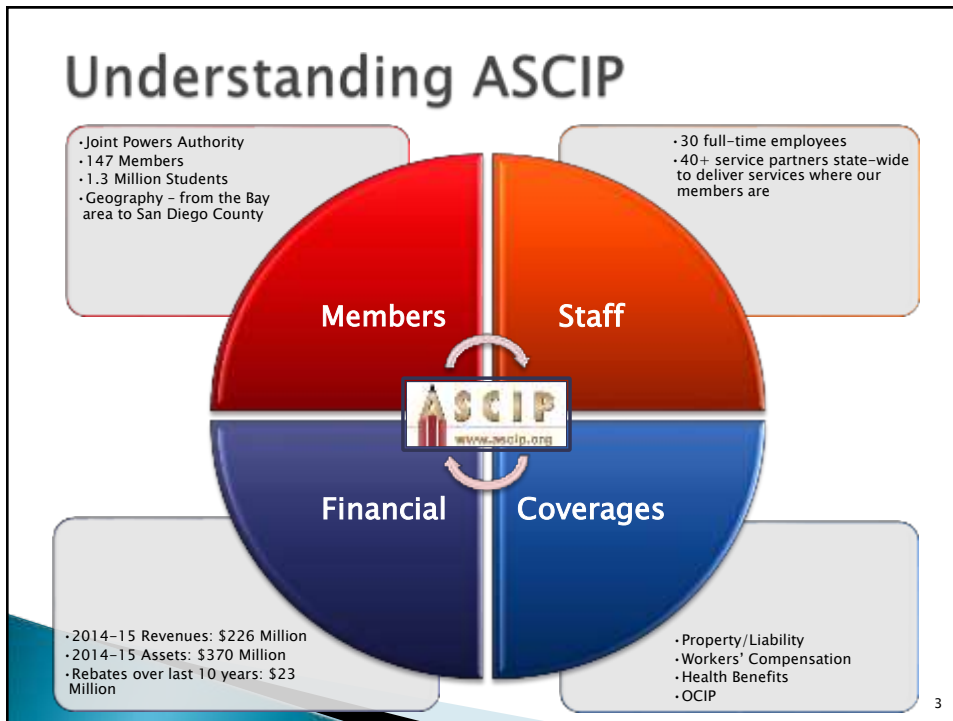
Santa Monica–Malibu USD
Tuesday, July 19, 2016

ASCIP's Purpose...

Safer Learning Environments for Our Members

Helping our members avoid “bad things” from happening and fiercely protecting their assets when the unfortunate “bad thing” does occur.





The ASCIP Difference

- ▶ Governed by its Members
- ▶ Not-for-Profit
- ▶ Broad Coverage
- ▶ High Limits
- ▶ Rate Stability
- ▶ Risk Control Services

Property/Liability Program

SMMUSD Member Since 1985

Property & Liability Program

- ▶ **Property Coverage**
 - ▶ Buildings & Contents
 - ▶ Electronic Data Processing
 - ▶ Builders' Risk
 - ▶ Equipment Breakdown
 - ▶ Cyber
 - ▶ Limit – \$600,000,000 per Occurrence
- ▶ **Auto Physical Damage**
 - ▶ Limit – RC or ACV
- ▶ **Employee Dishonesty Limit**
 - ▶ Limit – \$5,000,000



Property & Liability Program

- ▶ Liability Coverage
 - ▶ General Liability
 - ▶ Auto Liability
 - ▶ Employment Practice Liability
 - ▶ School Board Liability
 - ▶ Sexual Abuse Liability
 - ▶ Cyber Liability
 - ▶ Limit – \$5,000,000
 - ▶ Excess \$50,000,000 w/SELF



7

ASCIP's
Risk Control Services



Loss Control Services

- ▶ Audits
 - ▶ General Safety
 - ▶ Security
 - ▶ Cyber
 - ▶ Emergency Preparedness
- ▶ Industrial Hygiene Consultation
- ▶ DMV Record Checks
- ▶ Material Safety Data Sheets/On-line
- ▶ Safety Credits & Grant Program

Risk Management

- ▶ Risk Transfer
 - ▶ Contract Review
 - ▶ Field Trip & Facility Use Waivers
- ▶ Claims Review & Analysis
- ▶ HR Hotline
- ▶ Certificates of Insurance
- ▶ Special Insurance Placements



Training Services

- ▶ Employee Safety Training
 - Regional Trainings
 - On-site Trainings
 - Webinars
- ▶ Learning Management System (LMS)
 - Over 100 On-line Trainings
 - Electronic Records of Trainings Completed
 - Automated Assignment of Training
- ▶ Roundtable Discussions with Peers & Experts
- ▶ Extensive Video/DVD Library Available





SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

2015-16 UNAUDITED ACTUALS

Janece L. Maez
Associate Superintendent,
Business and Fiscal Services
Chief Financial Officer

September 1, 2016 Board Meeting
Agenda Item A.40.



What are Unaudited Actuals?

- District prepared year-end financial statements as of June 30th using State format known as SACS (State Account Code Structure) for all District funds
- Report of activities in all District funds, identifying unspent funds or reserves that are carried forward into future years
- Used by external auditors to prepare the official Audit Report
- In June, staff presented 2015-16 Estimated Actuals during the 2016-17 Budget adoption process



What has changed since June?

- The financial books of the District have been closed
- Year-end closing entries are prepared and posted
- Unspent allocations have been identified and reserved or assigned the Fund Balance as appropriate
- Unaudited Actuals are compared to Estimated Actuals as presented with the 2016-17 Adopted Budget



Why are Projections Different than Expected?

- School districts use conservatively estimated revenue and allocated expenditures during the budget and interim reporting processes
- The risk of miscalculating or under estimating is too great – running out of cash is never a good thing





What are Common Reasons for Differences?

- Revenue is received that was not anticipated
- Expenditure allocations or budgets were not completely used
- Purchase Orders (PO) issued before 6/30 – work completed or goods received after 7/1 (Rollover PO's)

SANTA MONICA MALIBU UNIFIED SCHOOL DISTRICT**2015-16 UNAUDITED ACTUAL SUMMARIES****GENERAL FUND (01)**

	2015-16 ESTIMATED ACTUALS	2015-16 UNAUDITED ACTUALS	DIFFERENCE
REVENUE	146,329,655	147,277,468	947,813
EXPENDITURES	150,445,656	144,944,516	5,501,140
EXCESS OR (DEFICIENCY)	(4,116,001)	2,332,951	6,448,952
BEGINNING BALANCE	35,474,469	35,474,469	-
PROJECTED ENDING BALANCE	31,358,468	37,807,421	6,448,952
Unrestricted General Fund	28,590,016	32,609,848	4,019,832
Restricted General Fund	2,768,452	5,197,573	2,429,121
Combined General Fund	31,358,468	37,807,421	6,448,953

SANTA MONICA MALIBU UNIFIED SCHOOL DISTRICT

2015-16 UNAUDITED ACTUAL SUMMARIES

GENERAL FUND (01)

DESIGNATION OF ENDING BALANCE

	2015-16 ESTIMATED ACTUALS	2015-16 UNAUDITED ACTUALS	DIFFERENCE
STORES/INVENTORY/REVOLVING CASH	-	152,233	152,233
RESTRICTED ENDING BALANCE	2,768,453	5,197,572	2,429,120
RESERVE FOR ECONOMIC UNCERTAINTIES	4,501,037	4,348,336	(152,701)
OTHER DESIGNATIONS	24,088,979	28,109,279	4,020,300
UNAPPROPRIATED AMOUNT	-	-	-
PROJECTED ENDING BALANCE	31,358,468	37,807,421	6,448,952

**SANTA MONICA MALIBU UNIFIED SCHOOL DISTRICT
2015-16 UNAUDITED ACTUAL SUMMARIES
GENERAL FUND (01)**

Changes to Fund Balance

	Estimated Actuals June 2016	Unaudited Actuals August 2016	Difference
Unrestricted	(2,944,903)	1,074,929	4,019,832
Restricted	(1,171,098)	1,258,022	2,429,120
Combined	(4,116,001)	2,332,951	6,448,952

Explanation of differences between June Estimates and September Actuals

	\$4.0 M (2.8%)
Revenue: Property Taxes – 148,773 Prop Y – 152,230 Lottery – 164,718 Other Local Income – 380,888	846,609
Unspent Special Education Budget	1,049,883
Unspent Site/Department Budgets	950,000
Subtotal	2,846,492 (2.0%)
Unspent Stretch Grants - Carryover	209,577
Rollover Encumbrances	910,662

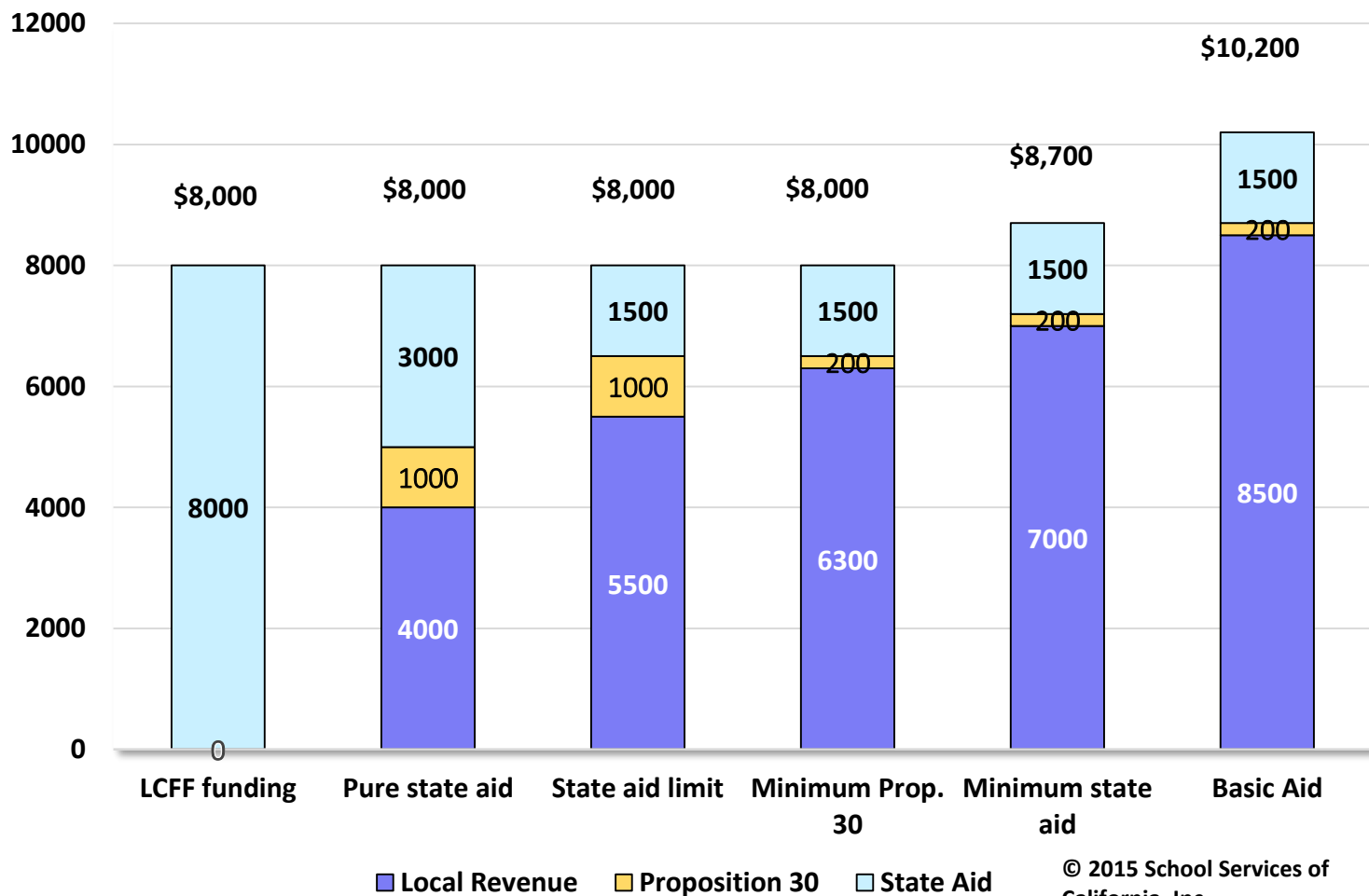


Did the Minimum State Calculation Impact SMMUSD in 2015-16?

- With the change to the LCFF calculation, districts were guaranteed at least the same amount of funding from the State as they had received in 2012-13 in categorical funds
- For Santa Monica-Malibu, that level of funding was \$8.5M
- The amount of the minimum is determined by comparing State Aid in the LCFF calculation to \$8.5M
- If the State Aid portion is less than \$8.5M, the district will receive the difference – in addition to the LCFF entitlement

LCFF Funding Scenarios

Local Revenue, Education Protection Account (Proposition 30) and State Aid Interaction



2015-16 LCFF Calculation

Impact of Minimum State Aid Calculation

			SMMUSD Unaudited Actuals	Less Property Taxes
LCFF Entitlement	A		84,351,795	84,351,795
Property Taxes	B		73,665,773	72,000,000
Difference	C	A - B	10,686,022	12,351,795
Prop 30 - EPA	D		2,159,478	2,159,478
State Aid	E	C - D	8,526,544	10,192,317
Minimum Guarantee	F		8,585,843	8,585,844
Minimum State Aid	G	F - E	59,299	-
Total Funding	H	B + D + E + G	84,411,094	84,351,795
Transfers Out	I		360,360	360,360
LCFF Revenue	J	H - I	84,050,734	83,991,435

SANTA MONICA - MALIBU USD - PROPERTY TAXES COMPARISON

FISCAL YEAR	P2 REPORT			ANNUAL REPORT			VAR	%
	PROPERTY TAXES	RDA FUNDS	TOTAL	PROPERTY TAXES	RDA FUNDS	TOTAL		
2004-05	35,768,686	-	35,768,686	35,155,555	-	35,155,555	(613,131)	-1.71%
2005-06	37,340,704	-	37,340,704	35,225,078	-	35,225,078	(2,115,626)	-5.67%
2006-07	39,816,823	-	39,816,823	37,564,644	-	37,564,644	(2,252,179)	-5.66%
2007-08	41,690,234	880,161	42,570,395	38,462,707	880,161	39,342,868	(3,227,527)	-7.58%
2008-09	45,906,557	1,174,757	47,081,314	45,143,652	1,174,754	46,318,406	(762,908)	-1.62%
2009-10	48,907,003	1,323,795	50,230,798	49,174,813	1,323,795	50,498,608	267,810	0.53%
2010-11	47,654,739	1,383,695	49,038,434	43,775,461	5,683,215	49,458,676	420,242	0.86%
2011-12	49,510,393	1,373,286	50,883,679	48,132,913	3,571,288	51,704,201	820,522	1.61%
2012-13	49,542,296	8,783,796	58,326,092	53,499,704	10,956,778	64,456,482	6,130,390	10.51%
2013-14	51,700,678	6,958,920	58,659,598	52,656,493	13,157,653	65,814,146	7,154,548	12.20%
2014-15	55,736,580	10,582,632	66,319,212	57,371,774	15,200,596	72,572,370	6,253,158	9.43%
2015-16	60,240,363	10,225,493	70,465,856	62,583,086	11,082,687	73,665,773	3,199,917	4.54%

What Happens if Prop. 30 Funding is Gone?

SMMUSD
Unaudited
Actuals

Without Prop. 30

LCFF Entitlement	A		84,351,795	84,351,795
Property Taxes	B		73,665,773	73,665,773
Difference	C	A - B	10,686,022	10,686,022
Prop 30 - EPA	D		2,159,478	-
State Aid	E	C - D	8,526,544	10,686,022
Minimum Guarantee	F		8,585,843	8,585,844
Minimum State Aid	G	F - E	59,299	-
Total Funding	H	B + D + E + G	84,411,094	84,351,795
Transfers Out	I		360,360	360,360
LCFF Revenue	J	H - I	84,050,734	83,991,435



Unrestricted General Fund Balance Historical Differences

*June Estimated vs. September Actuals
Unrestricted General Fund balance:*

<u>Fiscal Year</u>	<u>Estimated vs. Unaudited Actuals</u>
2006-07	3,062,325
2007-08	2,878,677
2008-09	2,755,068
2009-10	2,127,851
2010-11	4,189,571
2011-12	1,575,461
2012-13	9,756,047
2013-14	2,671,242
2014-15	8,414,916
2015-16	4,019,832



SANTA MONICA MALIBU UNIFIED SCHOOL DISTRICT
2015-16 UNAUDITED ACTUAL SUMMARIES
ADULT EDUCATION FUND (11)

	2015-16 ESTIMATED ACTUALS	2015-16 UNAUDITED ACTUALS	DIFFERENCE
REVENUE	776,572	842,085	65,513
EXPENDITURES	859,912	551,751	308,161
EXCESS OR (DEFICIENCY)	(83,340)	290,334	373,674
BEGINNING BALANCE	369,566	369,566	-
PROJECTED ENDING BALANCE	286,226	659,900	373,674

**SANTA MONICA MALIBU UNIFIED SCHOOL DISTRICT
2015-16 UNAUDITED ACTUAL SUMMARIES
CHILD DEVELOPMENT FUND (12)**

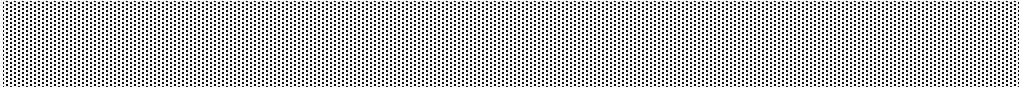
	2015-16 ESTIMATED ACTUALS	2015-16 UNAUDITED ACTUALS	DIFFERENCE
REVENUE	8,127,056	8,401,096	274,040
EXPENDITURES	8,353,653	8,366,396	(12,743)
EXCESS OR (DEFICIENCY)	(226,597)	34,700	261,297
BEGINNING BALANCE	264,166	264,166	-
PROJECTED ENDING BALANCE	37,569	234,491	196,922

SANTA MONICA MALIBU UNIFIED SCHOOL DISTRICT
2015-16 UNAUDITED ACTUAL SUMMARIES
CAFETERIA FUND (13)

	2015-16 ESTIMATED ACTUALS	2015-16 UNAUDITED ACTUALS	DIFFERENCE
REVENUE	2,917,010	3,036,244	119,234
EXPENDITURES	2,961,984	3,016,471	(54,487)
EXCESS OR (DEFICIENCY)	(44,974)	19,773	64,747
BEGINNING BALANCE	176,203	176,203	-
PROJECTED ENDING BALANCE	131,229	195,976	64,747

SANTA MONICA MALIBU UNIFIED SCHOOL DISTRICT
2015-16 UNAUDITED ACTUAL SUMMARIES
DEFERRED MAINTENANCE (14)

	2015-16 ESTIMATED ACTUALS	2015-16 UNAUDITED ACTUALS	DIFFERENCE
REVENUE	251,000	250,988	(12)
EXPENDITURES	251,000	179,638	71,362
EXCESS OR (DEFICIENCY)	-	71,350	71,350
BEGINNING BALANCE	140,846	140,846	-
PROJECTED ENDING BALANCE	140,846	212,196	71,350





SANTA MONICA MALIBU UNIFIED SCHOOL DISTRICT
2015-16 UNAUDITED ACTUAL SUMMARIES
BUILDING FUND (21)

	2015-16 ESTIMATED ACTUALS	2015-16 UNAUDITED ACTUALS	DIFFERENCE
REVENUE	61,001,000	61,153,401	152,401
EXPENDITURES	88,712,326	30,291,018	58,421,308
EXCESS OR (DEFICIENCY)	(27,711,326)	30,862,383	58,573,709
BEGINNING BALANCE	61,878,829	61,878,829	-
PROJECTED ENDING BALANCE	34,167,503	92,741,212	58,573,709

SANTA MONICA MALIBU UNIFIED SCHOOL DISTRICT
2015-16 UNAUDITED ACTUAL SUMMARIES
CAPITAL FACILITIES FUND - DEVELOPER FEES (25)

	2015-16 ESTIMATED ACTUALS	2015-16 UNAUDITED ACTUALS	DIFFERENCE
REVENUE	810,000	936,375	126,375
EXPENDITURES	4,149,300	3,134,057	1,015,243
EXCESS OR (DEFICIENCY)	(3,339,300)	(2,197,682)	1,141,618
BEGINNING BALANCE	3,434,361	3,434,361	-
PROJECTED ENDING BALANCE	95,061	1,236,679	1,141,618



SANTA MONICA MALIBU UNIFIED SCHOOL DISTRICT
2012-13 UNAUDITED ACTUAL SUMMARIES
SPECIAL RESERVE for CAPITAL PROJECTS (40)

	2015-16 ESTIMATED ACTUALS	2015-16 UNAUDITED ACTUALS	DIFFERENCE
REVENUE	5,564,395	5,938,788	374,393
EXPENDITURES	3,567,081	3,900,633	(333,552)
EXCESS OR (DEFICIENCY)	1,997,314	2,038,155	40,841
BEGINNING BALANCE	9,406,055	9,406,055	-
PROJECTED ENDING BALANCE	11,403,369	11,444,209	40,841
DESIGNATED FOR MEASURE BB	6,200,000	6,200,000	-
AVAILABLE FUND BALANCE	5,203,369	5,244,209	40,841

SANTA MONICA MALIBU UNIFIED SCHOOL DISTRICT
2015-16 UNAUDITED ACTUAL SUMMARIES
BOND INTEREST AND REDEMPTION FUND (51)

	2015-16 ESTIMATED ACTUALS	2015-16 UNAUDITED ACTUALS	DIFFERENCE
REVENUE	31,948,352	39,486,293	7,537,941
EXPENDITURES	47,019,124	48,187,390	(1,168,266)
EXCESS OR (DEFICIENCY)	(15,070,772)	(8,701,097)	6,369,675
BEGINNING BALANCE	45,210,774	45,210,774	-
PROJECTED ENDING BALANCE	30,140,002	36,509,677	6,369,675

SANTA MONICA MALIBU UNIFIED SCHOOL DISTRICT
2015-16 UNAUDITED ACTUAL SUMMARIES
RETIREE BENEFIT FUND (71)

	2015-16 ESTIMATED ACTUALS	2015-16 UNAUDITED ACTUALS	DIFFERENCE
REVENUE	1,242,583	5,781,932	4,539,349
EXPENDITURES	1,183,160	661,758	521,402
EXCESS OR (DEFICIENCY)	59,423	5,120,174	5,060,751
BEGINNING BALANCE	-	-	-
PROJECTED ENDING BALANCE	59,423	5,120,174	5,060,751



ATTACHMENT A

2015-16 Unaudited Actuals

Santa Monica-Malibu Unified School District
Meeting of the Board of Education

September 1, 2016

Unaudited Actuals
FINANCIAL REPORTS
2015-16 Unaudited Actuals
Summary of Unaudited Actual Data Submission

Following is a summary of the critical data elements contained in your unaudited actual data. Since these data may have fiscal implications for your agency, please verify their accuracy before filing your unaudited actual financial reports.

Form	Description	Value
CEA	Percent of Current Cost of Education Expended for Classroom Compensation Must equal or exceed 60% for elementary, 55% for unified, and 50% for high school districts or future apportionments may be affected. (EC 41372)	57.66%
	CEA Deficiency Amount Applicable to districts not exempt from the requirement and not meeting the minimum classroom compensation percentage - see Form CEA for further details.	\$0.00
GANN	Adjustments to Appropriations Limit Per Government Code Section 7902.1 If this amount is not zero, it represents an increase to your appropriations limit. The Department of Finance must be notified of increases within 45 days of budget adoption.	\$0.00
	Adjusted Appropriations Limit	\$89,372,822.13
	Appropriations Subject to Limit These amounts represent the board approved Appropriations Limit and Appropriations Subject to Limit pursuant to Government Code Section 7906 and EC 42132.	\$89,372,822.13
ICR	Preliminary Proposed Indirect Cost Rate Fixed-with-carry-forward indirect cost rate for use in 2017-18, subject to CDE approval.	5.59%
NCMOE	No Child Left Behind (NCLB) Maintenance of Effort (MOE) Determination If MOE Not Met, the 2017-18 apportionment may be reduced by the lesser of the following two percentages: MOE Deficiency Percentage - Based on Total Expenditures MOE Deficiency Percentage - Based on Expenditures Per ADA	MOE Met

UNAUDITED ACTUAL FINANCIAL REPORT:

To the County Superintendent of Schools:

2015-16 UNAUDITED ACTUAL FINANCIAL REPORT. This report was prepared in accordance with Education Code Section 41010 and is hereby approved and filed by the governing board of the school district pursuant to Education Code Section 42100.

Signed _____
Clerk/Secretary of the Governing Board
(Original signature required)

Date of Meeting: Sep 01, 2016

To the Superintendent of Public Instruction:

2015-16 UNAUDITED ACTUAL FINANCIAL REPORT. This report has been verified for accuracy by the County Superintendent of Schools pursuant to Education Code Section 42100.

Signed _____
County Superintendent/Designee
(Original signature required)

Date: _____

For additional information on the unaudited actual reports, please contact:

For County Office of Education:

Dio Brache
Name
Business Consultant
Title
(562)922-6133
Telephone
Brache_Dio@lacoedu
E-mail Address

For School District:

Pat Ho
Name
Director of Fiscal & Business S
Title
(310)450-8338 Ext. 70255
Telephone
pho@smmusd.org
E-mail Address

G = General Ledger Data; S = Supplemental Data

Form	Description	Data Supplied For:	
		2015-16 Unaudited Actuals	2016-17 Budget
01	General Fund/County School Service Fund	GS	GS
09	Charter Schools Special Revenue Fund		
10	Special Education Pass-Through Fund		
11	Adult Education Fund	G	G
12	Child Development Fund	G	G
13	Cafeteria Special Revenue Fund	G	G
14	Deferred Maintenance Fund	G	G
15	Pupil Transportation Equipment Fund		
17	Special Reserve Fund for Other Than Capital Outlay Projects		
18	School Bus Emissions Reduction Fund		
19	Foundation Special Revenue Fund		
20	Special Reserve Fund for Postemployment Benefits		
21	Building Fund	G	G
25	Capital Facilities Fund	G	G
30	State School Building Lease-Purchase Fund		
35	County School Facilities Fund		
40	Special Reserve Fund for Capital Outlay Projects	G	G
49	Capital Project Fund for Blended Component Units		
51	Bond Interest and Redemption Fund	G	G
52	Debt Service Fund for Blended Component Units		
53	Tax Override Fund		
56	Debt Service Fund		
57	Foundation Permanent Fund		
61	Cafeteria Enterprise Fund		
62	Charter Schools Enterprise Fund		
63	Other Enterprise Fund		
66	Warehouse Revolving Fund		
67	Self-Insurance Fund	G	
71	Retiree Benefit Fund	G	G
73	Foundation Private-Purpose Trust Fund		
76	Warrant/Pass-Through Fund		
95	Student Body Fund		
76A	Changes in Assets and Liabilities (Warrant/Pass-Through)		
95A	Changes in Assets and Liabilities (Student Body)		
A	Average Daily Attendance	S	S
ASSET	Schedule of Capital Assets	S	
CA	Unaudited Actuals Certification	S	
CAT	Schedule for Categoricals	S	
CEA	Current Expense Formula/Minimum Classroom Comp. - Actuals	GS	
CHG	Change Order Form		
DEBT	Schedule of Long-Term Liabilities	S	
GANN	Appropriations Limit Calculations	GS	GS
ICR	Indirect Cost Rate Worksheet	GS	
L	Lottery Report	GS	
NCMOE	No Child Left Behind Maintenance of Effort	GS	
PCRAF	Program Cost Report Schedule of Allocation Factors	GS	

G = General Ledger Data; S = Supplemental Data

Form	Description	Data Supplied For:	
		2015-16 Unaudited Actuals	2016-17 Budget
PCR	Program Cost Report	GS	
SEA	Special Education Revenue Allocations	S	S
SEAS	Special Education Revenue Allocations Setup (SELPA Selection)	S	S
SIAA	Summary of Interfund Activities - Actuals	G	

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals			2016-17 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
A. REVENUES									
1) LCFF Sources		8010-8099	84,050,733.77	0.00	84,050,733.77	87,245,352.00	0.00	87,245,352.00	3.8%
2) Federal Revenue		8100-8299	262,529.00	4,480,533.23	4,743,062.23	13,000.00	4,476,318.00	4,489,318.00	-5.3%
3) Other State Revenue		8300-8599	7,782,603.04	6,141,386.07	13,923,989.11	4,438,154.00	951,140.00	5,389,294.00	-61.3%
4) Other Local Revenue		8600-8799	34,657,325.74	9,902,356.73	44,559,682.47	34,863,040.00	7,845,091.00	42,708,131.00	-4.2%
5) TOTAL, REVENUES			126,753,191.55	20,524,276.03	147,277,467.58	126,559,546.00	13,272,549.00	139,832,095.00	-5.1%
B. EXPENDITURES									
1) Certificated Salaries		1000-1999	50,568,173.40	11,800,134.55	62,368,307.95	53,475,766.00	12,520,062.00	65,995,828.00	5.8%
2) Classified Salaries		2000-2999	17,615,211.51	9,836,389.79	27,451,601.30	18,501,715.00	10,840,061.00	29,341,776.00	6.9%
3) Employee Benefits		3000-3999	23,243,567.95	11,392,401.44	34,635,969.39	26,317,027.00	8,925,382.00	35,242,409.00	1.8%
4) Books and Supplies		4000-4999	2,354,769.79	1,892,418.76	4,247,188.55	3,501,779.00	1,292,853.00	4,794,632.00	12.9%
5) Services and Other Operating Expenditures		5000-5999	9,108,684.85	6,465,614.72	15,574,299.57	9,116,473.00	5,267,611.00	14,384,084.00	-7.6%
6) Capital Outlay		6000-6999	454,694.82	117,856.81	572,551.63	590,000.00	65,500.00	655,500.00	14.5%
7) Other Outgo (excluding Transfers of Indirect Costs)		7100-7299 7400-7499	53,388.00	0.00	53,388.00	53,389.00	0.00	53,389.00	0.0%
8) Other Outgo - Transfers of Indirect Costs		7300-7399	(1,058,830.08)	515,548.84	(543,281.24)	(1,010,988.00)	479,483.00	(531,505.00)	-2.2%
9) TOTAL, EXPENDITURES			102,339,660.24	42,020,364.91	144,360,025.15	110,545,161.00	39,390,952.00	149,936,113.00	3.9%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B9)									
			24,413,531.31	(21,496,088.88)	2,917,442.43	16,014,385.00	(26,118,403.00)	(10,104,018.00)	-446.3%
D. OTHER FINANCING SOURCES/USES									
1) Interfund Transfers									
a) Transfers In		8900-8929	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
b) Transfers Out		7600-7629	584,491.00	0.00	584,491.00	543,263.00	0.00	543,263.00	-7.1%
2) Other Sources/Uses									
a) Sources		8930-8979	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
3) Contributions		8980-8999	(22,754,111.02)	22,754,111.02	0.00	(25,691,208.00)	25,691,208.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			(23,338,602.02)	22,754,111.02	(584,491.00)	(26,234,471.00)	25,691,208.00	(543,263.00)	-7.1%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals			2016-17 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			1,074,929.29	1,258,022.14	2,332,951.43	(10,220,086.00)	(427,195.00)	(10,647,281.00)	-556.4%
F. FUND BALANCE, RESERVES									
1) Beginning Fund Balance									
a) As of July 1 - Unaudited		9791	31,534,918.82	3,939,550.26	35,474,469.08	32,609,848.11	5,197,572.40	37,807,420.51	6.6%
b) Audit Adjustments		9793	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			31,534,918.82	3,939,550.26	35,474,469.08	32,609,848.11	5,197,572.40	37,807,420.51	6.6%
d) Other Restatements		9795	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			31,534,918.82	3,939,550.26	35,474,469.08	32,609,848.11	5,197,572.40	37,807,420.51	6.6%
2) Ending Balance, June 30 (E + F1e)			32,609,848.11	5,197,572.40	37,807,420.51	22,389,762.11	4,770,377.40	27,160,139.51	-28.2%
Components of Ending Fund Balance									
a) Nonspendable									
Revolving Cash		9711	20,000.00	0.00	20,000.00	0.00	0.00	0.00	-100.0%
Stores		9712	14,710.64	0.00	14,710.64	0.00	0.00	0.00	-100.0%
Prepaid Expenditures		9713	117,522.59	0.00	117,522.59	0.00	0.00	0.00	-100.0%
All Others		9719	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
b) Restricted		9740	0.00	5,197,572.40	5,197,572.40	0.00	4,770,377.40	4,770,377.40	-8.2%
c) Committed									
Stabilization Arrangements		9750	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Other Commitments		9760	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
d) Assigned									
Other Assignments		9780	28,109,278.88	0.00	28,109,278.88	17,875,380.11	0.00	17,875,380.11	-36.4%
RESERVE FOR 16-17 TO 18-19 DEFIC CARRYOVER TO 16-17	0000	9780	24,000,911.00		24,000,911.00				
RESERVE UP TO TWO MONTHS EXP	0000	9780	1,120,239.00		1,120,239.00				
RESERVE UP TO 2 MONTHS EXPEN	1100	9780	2,014,740.32		2,014,740.32				
RESERVE DEFICIT SPENDING IN 201	0000	9780	973,388.56		973,388.56				
RESERVE UP TO TWO MONTHS EXP	0000	9780				13,780,825.00		13,780,825.00	
RESERVE UP TO TWO MONTHS EXP	0000	9780				3,301,438.55		3,301,438.55	
RESERVE UP TO TWO MONTHS EXP	1100	9780				793,116.56		793,116.56	
e) Unassigned/unappropriated									
Reserve for Economic Uncertainties		9789	4,348,336.00	0.00	4,348,336.00	4,514,382.00	0.00	4,514,382.00	3.8%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.00	0.00	0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals			2016-17 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
G. ASSETS									
1) Cash									
a) in County Treasury		9110	50,360,218.46	5,659,180.37	56,019,398.83				
1) Fair Value Adjustment to Cash in County Treasury		9111	0.00	0.00	0.00				
b) in Banks		9120	0.00	0.00	0.00				
c) in Revolving Fund		9130	20,000.00	0.00	20,000.00				
d) with Fiscal Agent		9135	0.00	0.00	0.00				
e) collections awaiting deposit		9140	0.00	0.00	0.00				
2) Investments		9150	0.00	0.00	0.00				
3) Accounts Receivable		9200	1,924,011.40	606,975.57	2,530,986.97				
4) Due from Grantor Government		9290	700,378.34	2,747,169.88	3,447,548.22				
5) Due from Other Funds		9310	0.00	0.00	0.00				
6) Stores		9320	14,710.64	0.00	14,710.64				
7) Prepaid Expenditures		9330	117,522.59	0.00	117,522.59				
8) Other Current Assets		9340	2,934,514.27	0.00	2,934,514.27				
9) TOTAL, ASSETS			56,071,355.70	9,013,325.82	65,084,681.52				
H. DEFERRED OUTFLOWS OF RESOURCES									
1) Deferred Outflows of Resources		9490	0.00	0.00	0.00				
2) TOTAL, DEFERRED OUTFLOWS			0.00	0.00	0.00				
I. LIABILITIES									
1) Accounts Payable		9500	12,768,568.59	3,788,992.64	16,557,561.23				
2) Due to Grantor Governments		9590	9,855,109.00	0.00	9,855,109.00				
3) Due to Other Funds		9610	0.00	0.00	0.00				
4) Current Loans		9640	0.00	0.00	0.00				
5) Unearned Revenue		9650	837,830.00	26,760.78	864,590.78				
6) TOTAL, LIABILITIES			23,461,507.59	3,815,753.42	27,277,261.01				
J. DEFERRED INFLOWS OF RESOURCES									
1) Deferred Inflows of Resources		9690	0.00	0.00	0.00				
2) TOTAL, DEFERRED INFLOWS			0.00	0.00	0.00				
K. FUND EQUITY									
Ending Fund Balance, June 30 (must agree with line F2) (G9 + H2) - (I6 + J2)			32,609,848.11	5,197,572.40	37,807,420.51				

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals			2016-17 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
LCFF SOURCES									
Principal Apportionment State Aid - Current Year		8011	8,585,843.00	0.00	8,585,843.00	11,949,878.00	0.00	11,949,878.00	39.2%
Education Protection Account State Aid - Current Year		8012	2,159,478.00	0.00	2,159,478.00	2,151,600.00	0.00	2,151,600.00	-0.4%
State Aid - Prior Years		8019	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Tax Relief Subventions Homeowners' Exemptions		8021	394,814.68	0.00	394,814.68	379,923.00	0.00	379,923.00	-3.8%
Timber Yield Tax		8022	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Other Subventions/In-Lieu Taxes		8029	393,354.74	0.00	393,354.74	393,354.00	0.00	393,354.00	0.0%
County & District Taxes Secured Roll Taxes		8041	55,786,306.78	0.00	55,786,306.78	57,626,281.00	0.00	57,626,281.00	3.3%
Unsecured Roll Taxes		8042	2,324,104.11	0.00	2,324,104.11	2,324,448.00	0.00	2,324,448.00	0.0%
Prior Years' Taxes		8043	1,168,278.48	0.00	1,168,278.48	1,797,364.00	0.00	1,797,364.00	53.8%
Supplemental Taxes		8044	(75,745.37)	0.00	(75,745.37)	0.00	0.00	0.00	-100.0%
Education Revenue Augmentator Fund (ERAF)		8045	2,479,368.74	0.00	2,479,368.74	731,011.00	0.00	731,011.00	-70.5%
Community Redevelopment Funds (SB 617/699/1992)		8047	11,082,686.64	0.00	11,082,686.64	10,225,493.00	0.00	10,225,493.00	-7.7%
Penalties and Interest from Delinquent Taxes		8048	112,603.85	0.00	112,603.85	0.00	0.00	0.00	-100.0%
Miscellaneous Funds (EC 41604) Royalties and Bonuses		8081	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Other In-Lieu Taxes		8082	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Less: Non-LCFF (50%) Adjustment		8089	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Subtotal, LCFF Sources			84,411,093.65	0.00	84,411,093.65	87,579,352.00	0.00	87,579,352.00	3.8%
LCFF Transfers									
Unrestricted LCFF Transfers - Current Year	0000	8091	(250,000.00)		(250,000.00)	(250,000.00)		(250,000.00)	0.0%
All Other LCFF Transfers - Current Year	All Other	8091	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Transfers to Charter Schools in Lieu of Property Taxes		8096	(110,359.88)	0.00	(110,359.88)	(84,000.00)	0.00	(84,000.00)	-23.9%
Property Taxes Transfers		8097	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
LCFF/Revenue Limit Transfers - Prior Years		8099	0.00	0.00	0.00	0.00	0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals			2016-17 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
TOTAL, LCFF SOURCES			84,050,733.77	0.00	84,050,733.77	87,245,352.00	0.00	87,245,352.00	3.8%
FEDERAL REVENUE									
Maintenance and Operations		8110	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Special Education Entitlement		8181	0.00	2,094,212.41	2,094,212.41	0.00	2,084,851.00	2,084,851.00	-0.4%
Special Education Discretionary Grants		8182	0.00	225,722.00	225,722.00	0.00	225,012.00	225,012.00	-0.3%
Child Nutrition Programs		8220	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Donated Food Commodities		8221	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Forest Reserve Funds		8260	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Flood Control Funds		8270	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Wildlife Reserve Funds		8280	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
FEMA		8281	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Interagency Contracts Between LEAs		8285	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Pass-Through Revenues from Federal Sources		8287	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	3010	8290		1,191,805.08	1,191,805.08		1,166,228.00	1,166,228.00	-2.1%
NCLB: Title I, Part D, Local Delinquent Programs	3025	8290		0.00	0.00		0.00	0.00	0.0%
NCLB: Title II, Part A, Teacher Quality	4035	8290		468,206.31	468,206.31		331,882.00	331,882.00	-29.1%
NCLB: Title III, Immigrant Education Program	4201	8290		14,896.23	14,896.23		23,995.00	23,995.00	61.1%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals			2016-17 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
NCLB: Title III, Limited English Proficient (LEP) Student Program	4203	8290		93,755.26	93,755.26		87,711.00	87,711.00	-6.4%
NCLB: Title V, Part B, Public Charter Schools Grant Program (PCSGP)	4610	8290		0.00	0.00		0.00	0.00	0.0%
Other No Child Left Behind	3199, 4036-4126, 5510	8290		20,403.52	20,403.52		0.00	0.00	-100.0%
Vocational and Applied Technology Education	3500-3699	8290		51,830.79	51,830.79		56,639.00	56,639.00	9.3%
Safe and Drug Free Schools	3700-3799	8290		0.00	0.00		0.00	0.00	0.0%
All Other Federal Revenue	All Other	8290	262,529.00	319,701.63	582,230.63	13,000.00	500,000.00	513,000.00	-11.9%
TOTAL, FEDERAL REVENUE			262,529.00	4,480,533.23	4,743,062.23	13,000.00	4,476,318.00	4,489,318.00	-5.3%
OTHER STATE REVENUE									
Other State Apportionments									
ROC/P Entitlement Prior Years	6360	8319		0.00	0.00		0.00	0.00	0.0%
Special Education Master Plan Current Year	6500	8311		0.00	0.00		0.00	0.00	0.0%
Prior Years	6500	8319		0.00	0.00		0.00	0.00	0.0%
All Other State Apportionments - Current Year	All Other	8311	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
All Other State Apportionments - Prior Years	All Other	8319	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Child Nutrition Programs		8520	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Mandated Costs Reimbursements		8550	6,111,310.00	0.00	6,111,310.00	2,933,154.00	0.00	2,933,154.00	-52.0%
Lottery - Unrestricted and Instructional Materials		8560	1,664,714.12	571,915.78	2,236,629.90	1,500,000.00	434,600.00	1,934,600.00	-13.5%
Tax Relief Subventions Restricted Levies - Other									
Homeowners' Exemptions		8575	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Other Subventions/In-Lieu Taxes		8576	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Pass-Through Revenues from State Sources		8587	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
School Based Coordination Program	7250	8590		0.00	0.00		0.00	0.00	0.0%
After School Education and Safety (ASES)	6010	8590		0.00	0.00		0.00	0.00	0.0%
Charter School Facility Grant	6030	8590		0.00	0.00		0.00	0.00	0.0%
Drug/Alcohol/Tobacco Funds	6650, 6690	8590		0.00	0.00		0.00	0.00	0.0%
California Clean Energy Jobs Act	6230	8590		0.00	0.00		0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals			2016-17 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
Career Technical Education Incentive Grant Program	6387	8590		358,403.50	358,403.50		450,000.00	450,000.00	25.6%
American Indian Early Childhood Educator	7210	8590		0.00	0.00		0.00	0.00	0.0%
Specialized Secondary	7370	8590		0.00	0.00		0.00	0.00	0.0%
Quality Education Investment Act	7400	8590		0.00	0.00		0.00	0.00	0.0%
Common Core State Standards Implementation	7405	8590		0.00	0.00		0.00	0.00	0.0%
All Other State Revenue	All Other	8590	6,578.92	5,211,066.79	5,217,645.71	5,000.00	66,540.00	71,540.00	-98.6%
TOTAL, OTHER STATE REVENUE			7,782,603.04	6,141,386.07	13,923,989.11	4,438,154.00	951,140.00	5,389,294.00	-61.3%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals			2016-17 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
OTHER LOCAL REVENUE									
Other Local Revenue									
County and District Taxes									
Other Restricted Levies									
Secured Roll		8615	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Unsecured Roll		8616	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Prior Years' Taxes		8617	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Supplemental Taxes		8618	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Non-Ad Valorem Taxes									
Parcel Taxes		8621	11,301,682.34	0.00	11,301,682.34	11,563,041.00	0.00	11,563,041.00	2.3%
Other		8622	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Community Redevelopment Funds									
Not Subject to LCFF Deduction		8625	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Penalties and Interest from									
Delinquent Non-LCFF									
Taxes		8629	58,760.21	0.00	58,760.21	60,000.00	0.00	60,000.00	2.1%
Sales									
Sale of Equipment/Supplies		8631	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Sale of Publications		8632	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Food Service Sales		8634	13,612.41	0.00	13,612.41	10,000.00	0.00	10,000.00	-26.5%
All Other Sales		8639	16,541.73	0.00	16,541.73	40,000.00	0.00	40,000.00	141.8%
Leases and Rentals		8650	2,311,228.05	1,958,491.55	4,269,719.60	2,450,000.00	1,682,878.00	4,132,878.00	-3.2%
Interest		8660	310,545.71	0.00	310,545.71	130,000.00	0.00	130,000.00	-58.1%
Net Increase (Decrease) in the Fair Value									
of Investments		8662	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Fees and Contracts									
Adult Education Fees		8671	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Non-Resident Students		8672	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Transportation Fees From Individuals		8675	130,608.98	0.00	130,608.98	130,000.00	0.00	130,000.00	-0.5%
Interagency Services		8677	429,035.09	153,356.00	582,391.09	0.00	108,645.00	108,645.00	-81.3%
Mitigation/Developer Fees		8681	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
All Other Fees and Contracts		8689	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Other Local Revenue									
Plus: Misc Funds Non-LCFF									
(50%) Adjustment		8691	0.00	0.00	0.00	0.00	0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals			2016-17 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
Pass-Through Revenues From Local Sources		8697	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
All Other Local Revenue		8699	20,085,311.22	2,238,039.18	22,323,350.40	20,479,999.00	467,869.00	20,947,868.00	-6.2%
Tuition		8710	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
All Other Transfers In		8781-8783	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Transfers of Apportionments									
Special Education SELPA Transfers									
From Districts or Charter Schools	6500	8791		5,552,470.00	5,552,470.00		5,585,699.00	5,585,699.00	0.6%
From County Offices	6500	8792		0.00	0.00		0.00	0.00	0.0%
From JPAs	6500	8793		0.00	0.00		0.00	0.00	0.0%
ROC/P Transfers									
From Districts or Charter Schools	6360	8791		0.00	0.00		0.00	0.00	0.0%
From County Offices	6360	8792		0.00	0.00		0.00	0.00	0.0%
From JPAs	6360	8793		0.00	0.00		0.00	0.00	0.0%
Other Transfers of Apportionments									
From Districts or Charter Schools	All Other	8791	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
From County Offices	All Other	8792	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
From JPAs	All Other	8793	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
All Other Transfers In from All Others		8799	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
TOTAL, OTHER LOCAL REVENUE			34,657,325.74	9,902,356.73	44,559,682.47	34,863,040.00	7,845,091.00	42,708,131.00	-4.2%
TOTAL, REVENUES			126,753,191.55	20,524,276.03	147,277,467.58	126,559,546.00	13,272,549.00	139,832,095.00	-5.1%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals			2016-17 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
CERTIFICATED SALARIES									
Certificated Teachers' Salaries		1100	41,361,642.70	9,777,882.79	51,139,525.49	43,755,061.00	10,259,364.00	54,014,425.00	5.6%
Certificated Pupil Support Salaries		1200	3,844,568.14	1,303,067.74	5,147,635.88	4,062,102.00	1,377,299.00	5,439,401.00	5.7%
Certificated Supervisors' and Administrators' Salaries		1300	5,202,980.56	719,184.02	5,922,164.58	5,556,429.00	883,399.00	6,439,828.00	8.7%
Other Certificated Salaries		1900	158,982.00	0.00	158,982.00	102,174.00	0.00	102,174.00	-35.7%
TOTAL, CERTIFICATED SALARIES			50,568,173.40	11,800,134.55	62,368,307.95	53,475,766.00	12,520,062.00	65,995,828.00	5.8%
CLASSIFIED SALARIES									
Classified Instructional Salaries		2100	2,118,521.71	3,609,743.43	5,728,265.14	2,418,161.00	3,950,850.00	6,369,011.00	11.2%
Classified Support Salaries		2200	5,563,495.61	2,017,550.32	7,581,045.93	5,693,861.00	2,043,215.00	7,737,076.00	2.1%
Classified Supervisors' and Administrators' Salaries		2300	1,702,865.96	380,628.21	2,083,494.17	1,809,777.00	531,269.00	2,341,046.00	12.4%
Clerical, Technical and Office Salaries		2400	5,620,456.37	503,299.78	6,123,756.15	5,831,147.00	678,268.00	6,509,415.00	6.3%
Other Classified Salaries		2900	2,609,871.86	3,325,168.05	5,935,039.91	2,748,769.00	3,636,459.00	6,385,228.00	7.6%
TOTAL, CLASSIFIED SALARIES			17,615,211.51	9,836,389.79	27,451,601.30	18,501,715.00	10,840,061.00	29,341,776.00	6.9%
EMPLOYEE BENEFITS									
STRS		3101-3102	5,305,034.87	5,150,043.61	10,455,078.48	6,681,619.00	1,571,417.00	8,253,036.00	-21.1%
PERS		3201-3202	1,876,733.46	1,012,811.50	2,889,544.96	2,379,045.00	1,434,852.00	3,813,897.00	32.0%
OASDI/Medicare/Alternative		3301-3302	2,089,164.50	893,387.37	2,982,551.87	2,213,471.00	1,011,521.00	3,224,992.00	8.1%
Health and Welfare Benefits		3401-3402	10,401,883.71	3,181,433.20	13,583,316.91	11,264,100.00	3,680,768.00	14,944,868.00	10.0%
Unemployment Insurance		3501-3502	33,803.65	10,520.50	44,324.15	44,285.00	11,738.00	56,023.00	26.4%
Workers' Compensation		3601-3602	2,597,200.16	822,772.35	3,419,972.51	2,729,687.00	888,011.00	3,617,698.00	5.8%
OPEB, Allocated		3701-3702	852,604.97	269,295.95	1,121,900.92	917,766.00	292,121.00	1,209,887.00	7.8%
OPEB, Active Employees		3751-3752	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Other Employee Benefits		3901-3902	87,142.63	52,136.96	139,279.59	87,054.00	34,954.00	122,008.00	-12.4%
TOTAL, EMPLOYEE BENEFITS			23,243,567.95	11,392,401.44	34,635,969.39	26,317,027.00	8,925,382.00	35,242,409.00	1.8%
BOOKS AND SUPPLIES									
Approved Textbooks and Core Curricula Materials		4100	652,778.81	110,079.86	762,858.67	835,000.00	44,568.00	879,568.00	15.3%
Books and Other Reference Materials		4200	36,443.08	76,571.13	113,014.21	23,380.00	59,944.00	83,324.00	-26.3%
Materials and Supplies		4300	1,496,472.04	1,381,141.15	2,877,613.19	2,490,157.00	1,095,891.00	3,586,048.00	24.6%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals			2016-17 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
Noncapitalized Equipment		4400	169,075.86	324,626.62	493,702.48	153,242.00	92,450.00	245,692.00	-50.2%
Food		4700	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
TOTAL, BOOKS AND SUPPLIES			2,354,769.79	1,892,418.76	4,247,188.55	3,501,779.00	1,292,853.00	4,794,632.00	12.9%
SERVICES AND OTHER OPERATING EXPENDITURES									
Subagreements for Services		5100	0.00	1,697,324.57	1,697,324.57	0.00	1,545,000.00	1,545,000.00	-9.0%
Travel and Conferences		5200	191,453.18	162,349.25	353,802.43	240,226.00	73,591.00	313,817.00	-11.3%
Dues and Memberships		5300	31,295.20	12,786.00	44,081.20	43,545.00	3,100.00	46,645.00	5.8%
Insurance		5400 - 5450	1,177,991.00	0.00	1,177,991.00	1,260,000.00	0.00	1,260,000.00	7.0%
Operations and Housekeeping Services		5500	2,426,502.69	0.00	2,426,502.69	2,751,200.00	0.00	2,751,200.00	13.4%
Rentals, Leases, Repairs, and Noncapitalized Improvements		5600	1,279,749.35	808,293.40	2,088,042.75	1,520,641.00	578,766.00	2,099,407.00	0.5%
Transfers of Direct Costs		5710	(93,611.98)	93,611.98	0.00	(33,425.00)	33,425.00	0.00	0.0%
Transfers of Direct Costs - Interfund		5750	(168,994.12)	611.21	(168,382.91)	(215,727.00)	196,027.00	(19,700.00)	-88.3%
Professional/Consulting Services and Operating Expenditures		5800	3,989,079.46	3,679,957.70	7,669,037.16	3,294,313.00	2,832,682.00	6,126,995.00	-20.1%
Communications		5900	275,220.07	10,680.61	285,900.68	255,700.00	5,020.00	260,720.00	-8.8%
TOTAL, SERVICES AND OTHER OPERATING EXPENDITURES			9,108,684.85	6,465,614.72	15,574,299.57	9,116,473.00	5,267,611.00	14,384,084.00	-7.6%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals			2016-17 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
CAPITAL OUTLAY									
Land		6100	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Land Improvements		6170	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Buildings and Improvements of Buildings		6200	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Books and Media for New School Libraries or Major Expansion of School Libraries		6300	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Equipment		6400	190,098.25	74,593.22	264,691.47	25,000.00	65,500.00	90,500.00	-65.8%
Equipment Replacement		6500	264,596.57	43,263.59	307,860.16	565,000.00	0.00	565,000.00	83.5%
TOTAL, CAPITAL OUTLAY			454,694.82	117,856.81	572,551.63	590,000.00	65,500.00	655,500.00	14.5%
OTHER OUTGO (excluding Transfers of Indirect Costs)									
Tuition									
Tuition for Instruction Under Interdistrict Attendance Agreements		7110	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
State Special Schools		7130	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Tuition, Excess Costs, and/or Deficit Payments Payments to Districts or Charter Schools		7141	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Payments to County Offices		7142	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Payments to JPAs		7143	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Transfers of Pass-Through Revenues To Districts or Charter Schools		7211	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
To County Offices		7212	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
To JPAs		7213	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Special Education SELPA Transfers of Apportionments To Districts or Charter Schools	6500	7221		0.00	0.00		0.00	0.00	0.0%
To County Offices	6500	7222		0.00	0.00		0.00	0.00	0.0%
To JPAs	6500	7223		0.00	0.00		0.00	0.00	0.0%
ROC/P Transfers of Apportionments To Districts or Charter Schools	6360	7221		0.00	0.00		0.00	0.00	0.0%
To County Offices	6360	7222		0.00	0.00		0.00	0.00	0.0%
To JPAs	6360	7223		0.00	0.00		0.00	0.00	0.0%
Other Transfers of Apportionments	All Other	7221-7223	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
All Other Transfers		7281-7283	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
All Other Transfers Out to All Others		7299	0.00	0.00	0.00	0.00	0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals			2016-17 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
Debt Service									
Debt Service - Interest		7438	4,281.86	0.00	4,281.86	3,108.00	0.00	3,108.00	-27.4%
Other Debt Service - Principal		7439	49,106.14	0.00	49,106.14	50,281.00	0.00	50,281.00	2.4%
TOTAL, OTHER OUTGO (excluding Transfers of Indirect Costs)			53,388.00	0.00	53,388.00	53,389.00	0.00	53,389.00	0.0%
OTHER OUTGO - TRANSFERS OF INDIRECT COSTS									
Transfers of Indirect Costs		7310	(515,548.84)	515,548.84	0.00	(479,483.00)	479,483.00	0.00	0.0%
Transfers of Indirect Costs - Interfund		7350	(543,281.24)	0.00	(543,281.24)	(531,505.00)	0.00	(531,505.00)	-2.2%
TOTAL, OTHER OUTGO - TRANSFERS OF INDIRECT COSTS			(1,058,830.08)	515,548.84	(543,281.24)	(1,010,988.00)	479,483.00	(531,505.00)	-2.2%
TOTAL, EXPENDITURES			102,339,660.24	42,020,364.91	144,360,025.15	110,545,161.00	39,390,952.00	149,936,113.00	3.9%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals			2016-17 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
INTERFUND TRANSFERS									
INTERFUND TRANSFERS IN									
From: Special Reserve Fund		8912	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
From: Bond Interest and Redemption Fund		8914	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Other Authorized Interfund Transfers In		8919	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
(a) TOTAL, INTERFUND TRANSFERS IN			0.00	0.00	0.00	0.00	0.00	0.00	0.0%
INTERFUND TRANSFERS OUT									
To: Child Development Fund		7611	234,491.00	0.00	234,491.00	413,263.00	0.00	413,263.00	76.2%
To: Special Reserve Fund		7612	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
To: State School Building Fund/ County School Facilities Fund		7613	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
To: Cafeteria Fund		7616	350,000.00	0.00	350,000.00	130,000.00	0.00	130,000.00	-62.9%
Other Authorized Interfund Transfers Out		7619	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
(b) TOTAL, INTERFUND TRANSFERS OUT			584,491.00	0.00	584,491.00	543,263.00	0.00	543,263.00	-7.1%
OTHER SOURCES/USES									
SOURCES									
State Apportionments Emergency Apportionments		8931	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Proceeds Proceeds from Sale/Lease- Purchase of Land/Buildings		8953	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Other Sources Transfers from Funds of Lapsed/Reorganized LEAs		8965	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Long-Term Debt Proceeds Proceeds from Certificates of Participation		8971	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Proceeds from Capital Leases		8972	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Proceeds from Lease Revenue Bonds		8973	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
All Other Financing Sources		8979	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
(c) TOTAL, SOURCES			0.00	0.00	0.00	0.00	0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals			2016-17 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
USES									
Transfers of Funds from Lapsed/Reorganized LEAs		7651	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
All Other Financing Uses		7699	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
(d) TOTAL, USES			0.00	0.00	0.00	0.00	0.00	0.00	0.0%
CONTRIBUTIONS									
Contributions from Unrestricted Revenues		8980	(22,754,111.02)	22,754,111.02	0.00	(25,691,208.00)	25,691,208.00	0.00	0.0%
Contributions from Restricted Revenues		8990	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
(e) TOTAL, CONTRIBUTIONS			(22,754,111.02)	22,754,111.02	0.00	(25,691,208.00)	25,691,208.00	0.00	0.0%
TOTAL, OTHER FINANCING SOURCES/USES (a - b + c - d + e)			(23,338,602.02)	22,754,111.02	(584,491.00)	(26,234,471.00)	25,691,208.00	(543,263.00)	-7.1%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals			2016-17 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
A. REVENUES									
1) LCFF Sources		8010-8099	84,050,733.77	0.00	84,050,733.77	87,245,352.00	0.00	87,245,352.00	3.8%
2) Federal Revenue		8100-8299	262,529.00	4,480,533.23	4,743,062.23	13,000.00	4,476,318.00	4,489,318.00	-5.3%
3) Other State Revenue		8300-8599	7,782,603.04	6,141,386.07	13,923,989.11	4,438,154.00	951,140.00	5,389,294.00	-61.3%
4) Other Local Revenue		8600-8799	34,657,325.74	9,902,356.73	44,559,682.47	34,863,040.00	7,845,091.00	42,708,131.00	-4.2%
5) TOTAL, REVENUES			126,753,191.55	20,524,276.03	147,277,467.58	126,559,546.00	13,272,549.00	139,832,095.00	-5.1%
B. EXPENDITURES (Objects 1000-7999)									
1) Instruction	1000-1999		60,279,405.47	27,534,996.95	87,814,402.42	65,380,887.00	24,212,229.00	89,593,116.00	2.0%
2) Instruction - Related Services	2000-2999		14,036,375.70	2,162,014.41	16,198,390.11	15,311,056.00	2,072,403.00	17,383,459.00	7.3%
3) Pupil Services	3000-3999		7,704,493.13	5,777,837.86	13,482,330.99	8,303,623.00	6,230,168.00	14,533,791.00	7.8%
4) Ancillary Services	4000-4999		510,443.79	223,699.16	734,142.95	560,404.00	306,587.00	866,991.00	18.1%
5) Community Services	5000-5999		545,078.81	1,417,352.15	1,962,430.96	565,019.00	1,522,878.00	2,087,897.00	6.4%
6) Enterprise	6000-6999		0.00	0.00	0.00	0.00	0.00	0.00	0.0%
7) General Administration	7000-7999		8,620,665.41	613,849.04	9,234,514.45	8,740,492.00	599,483.00	9,339,975.00	1.1%
8) Plant Services	8000-8999		10,589,809.93	4,290,615.34	14,880,425.27	11,630,291.00	4,447,204.00	16,077,495.00	8.0%
9) Other Outgo	9000-9999	Except 7600-7699	53,388.00	0.00	53,388.00	53,389.00	0.00	53,389.00	0.0%
10) TOTAL, EXPENDITURES			102,339,660.24	42,020,364.91	144,360,025.15	110,545,161.00	39,390,952.00	149,936,113.00	3.9%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B10)			24,413,531.31	(21,496,088.88)	2,917,442.43	16,014,385.00	(26,118,403.00)	(10,104,018.00)	-446.3%
D. OTHER FINANCING SOURCES/USES									
1) Interfund Transfers									
a) Transfers In		8900-8929	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
b) Transfers Out		7600-7629	584,491.00	0.00	584,491.00	543,263.00	0.00	543,263.00	-7.1%
2) Other Sources/Uses									
a) Sources		8930-8979	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
3) Contributions		8980-8999	(22,754,111.02)	22,754,111.02	0.00	(25,691,208.00)	25,691,208.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			(23,338,602.02)	22,754,111.02	(584,491.00)	(26,234,471.00)	25,691,208.00	(543,263.00)	-7.1%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals			2016-17 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			1,074,929.29	1,258,022.14	2,332,951.43	(10,220,086.00)	(427,195.00)	(10,647,281.00)	-556.4%
F. FUND BALANCE, RESERVES									
1) Beginning Fund Balance									
a) As of July 1 - Unaudited		9791	31,534,918.82	3,939,550.26	35,474,469.08	32,609,848.11	5,197,572.40	37,807,420.51	6.6%
b) Audit Adjustments		9793	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			31,534,918.82	3,939,550.26	35,474,469.08	32,609,848.11	5,197,572.40	37,807,420.51	6.6%
d) Other Restatements		9795	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			31,534,918.82	3,939,550.26	35,474,469.08	32,609,848.11	5,197,572.40	37,807,420.51	6.6%
2) Ending Balance, June 30 (E + F1e)			32,609,848.11	5,197,572.40	37,807,420.51	22,389,762.11	4,770,377.40	27,160,139.51	-28.2%
Components of Ending Fund Balance									
a) Nonspendable									
Revolving Cash		9711	20,000.00	0.00	20,000.00	0.00	0.00	0.00	-100.0%
Stores		9712	14,710.64	0.00	14,710.64	0.00	0.00	0.00	-100.0%
Prepaid Expenditures		9713	117,522.59	0.00	117,522.59	0.00	0.00	0.00	-100.0%
All Others		9719	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
b) Restricted			0.00	5,197,572.40	5,197,572.40	0.00	4,770,377.40	4,770,377.40	-8.2%
c) Committed									
Stabilization Arrangements		9750	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Other Commitments (by Resource/Object)		9760	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
d) Assigned									
Other Assignments (by Resource/Object)		9780	28,109,278.88	0.00	28,109,278.88	17,875,380.11	0.00	17,875,380.11	-36.4%
RESERVE FOR 16-17 TO 18-19 DEFIC	0000	9780	24,000,911.00		24,000,911.00				
CARRYOVER TO 16-17	0000	9780	1,120,239.00		1,120,239.00				
RESERVE UP TO TWO MONTHS EXP	0000	9780	2,014,740.32		2,014,740.32				
RESERVE UP TO 2 MONTHS EXPEN	1100	9780	973,388.56		973,388.56				
RESERVE DEFICIT SPENDING IN 201	0000	9780				13,780,825.00		13,780,825.00	
RESERVE UP TO TWO MONTHS EXP	0000	9780				3,301,438.55		3,301,438.55	
RESERVE UP TO TWO MONTHS EXP	1100	9780				793,116.56		793,116.56	
e) Unassigned/unappropriate									
Reserve for Economic Uncertainties		9789	4,348,336.00	0.00	4,348,336.00	4,514,382.00	0.00	4,514,382.00	3.8%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.00	0.00	0.00	0.00	0.0%

Resource	Description	2015-16 Unaudited Actuals	2016-17 Budget
5640	Medi-Cal Billing Option	333,305.95	72,938.95
6264	Educator Effectiveness	837,845.87	518,309.87
6300	Lottery: Instructional Materials	1,200,095.40	1,467,429.40
8150	Ongoing & Major Maintenance Account (RMA: Education Code Secti	203,797.92	203,797.92
9010	Other Restricted Local	2,622,527.26	2,507,901.26
Total, Restricted Balance		<u>5,197,572.40</u>	<u>4,770,377.40</u>

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	46,926.00	46,926.00	0.0%
3) Other State Revenue		8300-8599	760,629.00	679,147.00	-10.7%
4) Other Local Revenue		8600-8799	34,530.17	33,500.00	-3.0%
5) TOTAL, REVENUES			842,085.17	759,573.00	-9.8%
B. EXPENDITURES					
1) Certificated Salaries		1000-1999	174,049.28	283,809.00	63.1%
2) Classified Salaries		2000-2999	126,010.95	211,264.00	67.7%
3) Employee Benefits		3000-3999	93,783.27	149,900.00	59.8%
4) Books and Supplies		4000-4999	45,986.94	54,504.00	18.5%
5) Services and Other Operating Expenditures		5000-5999	86,654.04	60,096.00	-30.6%
6) Capital Outlay		6000-6999	0.00	0.00	0.0%
7) Other Outgo (excluding Transfers of Indirect Costs)		7100-7299, 7400-7499	0.00	0.00	0.0%
8) Other Outgo - Transfers of Indirect Costs		7300-7399	25,266.43	0.00	-100.0%
9) TOTAL, EXPENDITURES			551,750.91	759,573.00	37.7%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B9)			290,334.26	0.00	-100.0%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	0.00	0.00	0.0%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			290,334.26	0.00	-100.0%
F. FUND BALANCE, RESERVES					
1) Beginning Fund Balance					
a) As of July 1 - Unaudited		9791	369,566.14	659,900.40	78.6%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			369,566.14	659,900.40	78.6%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			369,566.14	659,900.40	78.6%
2) Ending Balance, June 30 (E + F1e)			659,900.40	659,900.40	0.0%
Components of Ending Fund Balance					
a) Nonspendable					
Revolving Cash		9711	0.00	0.00	0.0%
Stores		9712	0.00	0.00	0.0%
Prepaid Expenditures		9713	0.00	0.00	0.0%
All Others		9719	0.00	0.00	0.0%
b) Restricted			375,795.80	375,795.80	0.0%
c) Committed					
Stabilization Arrangements		9750	0.00	0.00	0.0%
Other Commitments		9760	284,104.60	284,104.60	0.0%
d) Assigned					
Other Assignments		9780	0.00	0.00	0.0%
e) Unassigned/Unappropriated					
Reserve for Economic Uncertainties		9789	0.00	0.00	0.0%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
G. ASSETS					
1) Cash					
a) in County Treasury		9110	686,599.22		
1) Fair Value Adjustment to Cash in County Treasury		9111	0.00		
b) in Banks		9120	0.00		
c) in Revolving Fund		9130	0.00		
d) with Fiscal Agent		9135	0.00		
e) collections awaiting deposit		9140	0.00		
2) Investments		9150	0.00		
3) Accounts Receivable		9200	1,930.24		
4) Due from Grantor Government		9290	17,689.00		
5) Due from Other Funds		9310	0.00		
6) Stores		9320	0.00		
7) Prepaid Expenditures		9330	0.00		
8) Other Current Assets		9340	0.00		
9) TOTAL, ASSETS			706,218.46		
H. DEFERRED OUTFLOWS OF RESOURCES					
1) Deferred Outflows of Resources		9490	0.00		
2) TOTAL, DEFERRED OUTFLOWS			0.00		
I. LIABILITIES					
1) Accounts Payable		9500	46,318.06		
2) Due to Grantor Governments		9590	0.00		
3) Due to Other Funds		9610	0.00		
4) Current Loans		9640			
5) Unearned Revenue		9650	0.00		
6) TOTAL, LIABILITIES			46,318.06		
J. DEFERRED INFLOWS OF RESOURCES					
1) Deferred Inflows of Resources		9690	0.00		
2) TOTAL, DEFERRED INFLOWS			0.00		
K. FUND EQUITY					
Ending Fund Balance, June 30 (must agree with line F2) (G9 + H2) - (I6 + J2)			659,900.40		

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
LCFF SOURCES					
LCFF Transfers					
LCFF Transfers - Current Year		8091	0.00	0.00	0.0%
LCFF/Revenue Limit Transfers - Prior Years		8099	0.00	0.00	0.0%
TOTAL, LCFF SOURCES			0.00	0.00	0.0%
FEDERAL REVENUE					
Interagency Contracts Between LEAs					
		8285	0.00	0.00	0.0%
No Child Left Behind	3105, 4045	8290	0.00	0.00	0.0%
Vocational and Applied Technology Education	3500-3699	8290	0.00	0.00	0.0%
Safe and Drug Free Schools	3700-3799	8290	0.00	0.00	0.0%
All Other Federal Revenue	All Other	8290	46,926.00	46,926.00	0.0%
TOTAL, FEDERAL REVENUE			46,926.00	46,926.00	0.0%
OTHER STATE REVENUE					
Other State Apportionments					
All Other State Apportionments - Current Year		8311	0.00	0.00	0.0%
All Other State Apportionments - Prior Years		8319	0.00	0.00	0.0%
Pass-Through Revenues from State Sources					
		8587	0.00	0.00	0.0%
Adult Education Block Grant Program	6391	8590	679,147.00	679,147.00	0.0%
All Other State Revenue	All Other	8590	81,482.00	0.00	-100.0%
TOTAL, OTHER STATE REVENUE			760,629.00	679,147.00	-10.7%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
OTHER LOCAL REVENUE					
Other Local Revenue					
Sales					
Sale of Equipment/Supplies		8631	4,914.00	10,500.00	113.7%
Leases and Rentals		8650	0.00	0.00	0.0%
Interest		8660	3,796.38	2,000.00	-47.3%
Net Increase (Decrease) in the Fair Value of Investments		8662	0.00	0.00	0.0%
Fees and Contracts					
Adult Education Fees		8671	24,679.79	21,000.00	-14.9%
Interagency Services		8677	0.00	0.00	0.0%
Other Local Revenue					
All Other Local Revenue		8699	1,140.00	0.00	-100.0%
Tuition		8710	0.00	0.00	0.0%
TOTAL, OTHER LOCAL REVENUE			34,530.17	33,500.00	-3.0%
TOTAL, REVENUES			842,085.17	759,573.00	-9.8%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
CERTIFICATED SALARIES					
Certificated Teachers' Salaries		1100	106,174.22	208,244.00	96.1%
Certificated Pupil Support Salaries		1200	16,801.62	19,321.00	15.0%
Certificated Supervisors' and Administrators' Salaries		1300	51,073.44	56,244.00	10.1%
Other Certificated Salaries		1900	0.00	0.00	0.0%
TOTAL, CERTIFICATED SALARIES			174,049.28	283,809.00	63.1%
CLASSIFIED SALARIES					
Classified Instructional Salaries		2100	0.00	0.00	0.0%
Classified Support Salaries		2200	33,871.52	34,410.00	1.6%
Classified Supervisors' and Administrators' Salaries		2300	0.00	0.00	0.0%
Clerical, Technical and Office Salaries		2400	92,139.43	176,854.00	91.9%
Other Classified Salaries		2900	0.00	0.00	0.0%
TOTAL, CLASSIFIED SALARIES			126,010.95	211,264.00	67.7%
EMPLOYEE BENEFITS					
STRS		3101-3102	22,342.84	34,766.00	55.6%
PERS		3201-3202	14,569.19	28,764.00	97.4%
OASDI/Medicare/Alternative		3301-3302	14,387.36	20,857.00	45.0%
Health and Welfare Benefits		3401-3402	25,027.04	38,034.00	52.0%
Unemployment Insurance		3501-3502	151.35	287.00	89.6%
Workers' Compensation		3601-3602	11,402.35	18,656.00	63.6%
OPEB, Allocated		3701-3702	3,743.14	6,136.00	63.9%
OPEB, Active Employees		3751-3752	0.00	0.00	0.0%
Other Employee Benefits		3901-3902	2,160.00	2,400.00	11.1%
TOTAL, EMPLOYEE BENEFITS			93,783.27	149,900.00	59.8%
BOOKS AND SUPPLIES					
Approved Textbooks and Core Curricula Materials		4100	2,781.08	6,800.00	144.5%
Books and Other Reference Materials		4200	0.00	0.00	0.0%
Materials and Supplies		4300	14,832.91	27,704.00	86.8%
Noncapitalized Equipment		4400	28,372.95	20,000.00	-29.5%
TOTAL, BOOKS AND SUPPLIES			45,986.94	54,504.00	18.5%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
SERVICES AND OTHER OPERATING EXPENDITURES					
Subagreements for Services		5100	0.00	0.00	0.0%
Travel and Conferences		5200	9,185.38	37,071.00	303.6%
Dues and Memberships		5300	870.00	650.00	-25.3%
Insurance		5400-5450	0.00	0.00	0.0%
Operations and Housekeeping Services		5500	0.00	0.00	0.0%
Rentals, Leases, Repairs, and Noncapitalized Improvements		5600	5,552.88	9,250.00	66.6%
Transfers of Direct Costs		5710	0.00	0.00	0.0%
Transfers of Direct Costs - Interfund		5750	1,686.97	4,825.00	186.0%
Professional/Consulting Services and Operating Expenditures		5800	68,187.98	7,300.00	-89.3%
Communications		5900	1,170.83	1,000.00	-14.6%
TOTAL, SERVICES AND OTHER OPERATING EXPENDITURES			86,654.04	60,096.00	-30.6%
CAPITAL OUTLAY					
Land		6100	0.00	0.00	0.0%
Land Improvements		6170	0.00	0.00	0.0%
Buildings and Improvements of Buildings		6200	0.00	0.00	0.0%
Equipment		6400	0.00	0.00	0.0%
Equipment Replacement		6500	0.00	0.00	0.0%
TOTAL, CAPITAL OUTLAY			0.00	0.00	0.0%
OTHER OUTGO (excluding Transfers of Indirect Costs)					
Tuition					
Tuition, Excess Costs, and/or Deficit Payments Payments to Districts or Charter Schools		7141	0.00	0.00	0.0%
Payments to County Offices		7142	0.00	0.00	0.0%
Payments to JPAs		7143	0.00	0.00	0.0%
Other Transfers Out					
Transfers of Pass-Through Revenues To Districts or Charter Schools		7211	0.00	0.00	0.0%
To County Offices		7212	0.00	0.00	0.0%
To JPAs		7213	0.00	0.00	0.0%
Debt Service					
Debt Service - Interest		7438	0.00	0.00	0.0%
Other Debt Service - Principal		7439	0.00	0.00	0.0%
TOTAL, OTHER OUTGO (excluding Transfers of Indirect Costs)			0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
OTHER OUTGO - TRANSFERS OF INDIRECT COSTS					
Transfers of Indirect Costs - Interfund		7350	25,266.43	0.00	-100.0%
TOTAL, OTHER OUTGO - TRANSFERS OF INDIRECT COSTS			25,266.43	0.00	-100.0%
TOTAL, EXPENDITURES			551,750.91	759,573.00	37.7%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
INTERFUND TRANSFERS					
INTERFUND TRANSFERS IN					
Other Authorized Interfund Transfers In		8919	0.00	0.00	0.0%
(a) TOTAL, INTERFUND TRANSFERS IN			0.00	0.00	0.0%
INTERFUND TRANSFERS OUT					
To: State School Building Fund/ County School Facilities Fund		7613	0.00	0.00	0.0%
Other Authorized Interfund Transfers Out		7619	0.00	0.00	0.0%
(b) TOTAL, INTERFUND TRANSFERS OUT			0.00	0.00	0.0%
OTHER SOURCES/USES					
SOURCES					
Other Sources					
Transfers from Funds of Lapsed/Reorganized LEAs		8965	0.00	0.00	0.0%
Long-Term Debt Proceeds					
Proceeds from Certificates of Participation		8971	0.00	0.00	0.0%
Proceeds from Capital Leases		8972	0.00	0.00	0.0%
All Other Financing Sources		8979	0.00	0.00	0.0%
(c) TOTAL, SOURCES			0.00	0.00	0.0%
USES					
Transfers of Funds from Lapsed/Reorganized LEAs		7651	0.00	0.00	0.0%
All Other Financing Uses		7699	0.00	0.00	0.0%
(d) TOTAL, USES			0.00	0.00	0.0%
CONTRIBUTIONS					
Contributions from Unrestricted Revenues		8980	0.00	0.00	0.0%
Contributions from Restricted Revenues		8990	0.00	0.00	0.0%
(e) TOTAL, CONTRIBUTIONS			0.00	0.00	0.0%
TOTAL, OTHER FINANCING SOURCES/USES (a - b + c - d + e)			0.00	0.00	0.0%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	46,926.00	46,926.00	0.0%
3) Other State Revenue		8300-8599	760,629.00	679,147.00	-10.7%
4) Other Local Revenue		8600-8799	34,530.17	33,500.00	-3.0%
5) TOTAL, REVENUES			842,085.17	759,573.00	-9.8%
B. EXPENDITURES (Objects 1000-7999)					
1) Instruction	1000-1999		143,389.65	357,392.00	149.2%
2) Instruction - Related Services	2000-2999		306,359.25	316,142.00	3.2%
3) Pupil Services	3000-3999		20,869.01	23,060.00	10.5%
4) Ancillary Services	4000-4999		0.00	0.00	0.0%
5) Community Services	5000-5999		0.00	0.00	0.0%
6) Enterprise	6000-6999		0.00	0.00	0.0%
7) General Administration	7000-7999		25,266.43	0.00	-100.0%
8) Plant Services	8000-8999		55,866.57	62,979.00	12.7%
9) Other Outgo	9000-9999	Except 7600-7699	0.00	0.00	0.0%
10) TOTAL, EXPENDITURES			551,750.91	759,573.00	37.7%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B10)			290,334.26	0.00	-100.0%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	0.00	0.00	0.0%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			0.00	0.00	0.0%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			290,334.26	0.00	-100.0%
F. FUND BALANCE, RESERVES					
1) Beginning Fund Balance					
a) As of July 1 - Unaudited		9791	369,566.14	659,900.40	78.6%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			369,566.14	659,900.40	78.6%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			369,566.14	659,900.40	78.6%
2) Ending Balance, June 30 (E + F1e)			659,900.40	659,900.40	0.0%
Components of Ending Fund Balance					
a) Nonspendable					
Revolving Cash		9711	0.00	0.00	0.0%
Stores		9712	0.00	0.00	0.0%
Prepaid Expenditures		9713	0.00	0.00	0.0%
All Others		9719	0.00	0.00	0.0%
b) Restricted			375,795.80	375,795.80	0.0%
c) Committed					
Stabilization Arrangements		9750	0.00	0.00	0.0%
Other Commitments (by Resource/Object)		9760	284,104.60	284,104.60	0.0%
d) Assigned					
Other Assignments (by Resource/Object)		9780	0.00	0.00	0.0%
e) Unassigned/Unappropriated					
Reserve for Economic Uncertainties		9789	0.00	0.00	0.0%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.0%

Resource	Description	2015-16 Unaudited Actuals	2016-17 Budget
6391	Adult Education Block Grant Program	292,518.20	292,518.20
6392	Adult Education Block Grant Data and Accountability	61,855.00	61,855.00
9010	Other Restricted Local	21,422.60	21,422.60
Total, Restricted Balance		<u>375,795.80</u>	<u>375,795.80</u>

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	1,751,771.59	1,697,210.00	-3.1%
3) Other State Revenue		8300-8599	2,704,911.53	2,911,361.00	7.6%
4) Other Local Revenue		8600-8799	3,709,921.72	3,740,906.00	0.8%
5) TOTAL, REVENUES			8,166,604.84	8,349,477.00	2.2%
B. EXPENDITURES					
1) Certificated Salaries		1000-1999	2,710,055.86	2,963,576.00	9.4%
2) Classified Salaries		2000-2999	2,257,614.18	2,425,292.00	7.4%
3) Employee Benefits		3000-3999	1,984,125.87	2,219,445.00	11.9%
4) Books and Supplies		4000-4999	263,875.28	274,509.00	4.0%
5) Services and Other Operating Expenditures		5000-5999	767,550.77	489,866.00	-36.2%
6) Capital Outlay		6000-6999	0.00	0.00	0.0%
7) Other Outgo (excluding Transfers of Indirect Costs)		7100-7299, 7400-7499	0.00	0.00	0.0%
8) Other Outgo - Transfers of Indirect Costs		7300-7399	383,174.08	386,099.00	0.8%
9) TOTAL, EXPENDITURES			8,366,396.04	8,758,787.00	4.7%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B9)			(199,791.20)	(409,310.00)	104.9%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	234,491.00	413,263.00	76.2%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			234,491.00	413,263.00	76.2%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			34,699.80	3,953.00	-88.6%
F. FUND BALANCE, RESERVES					
1) Beginning Fund Balance					
a) As of July 1 - Unaudited		9791	264,166.08	298,865.88	13.1%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			264,166.08	298,865.88	13.1%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			264,166.08	298,865.88	13.1%
2) Ending Balance, June 30 (E + F1e)			298,865.88	302,818.88	1.3%
Components of Ending Fund Balance					
a) Nonspendable					
Revolving Cash		9711	0.00	0.00	0.0%
Stores		9712	0.00	0.00	0.0%
Prepaid Expenditures		9713	0.00	0.00	0.0%
All Others		9719	0.00	0.00	0.0%
b) Restricted			105,621.69	105,621.69	0.0%
c) Committed					
Stabilization Arrangements		9750	0.00	0.00	0.0%
Other Commitments		9760	0.00	0.00	0.0%
d) Assigned					
Other Assignments		9780	193,244.19	197,197.19	2.0%
e) Unassigned/Unappropriated					
Reserve for Economic Uncertainties		9789	0.00	0.00	0.0%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
G. ASSETS					
1) Cash					
a) in County Treasury		9110	664,935.03		
1) Fair Value Adjustment to Cash in County Treasury		9111	0.00		
b) in Banks		9120	0.00		
c) in Revolving Fund		9130	0.00		
d) with Fiscal Agent		9135	0.00		
e) collections awaiting deposit		9140	0.00		
2) Investments		9150	0.00		
3) Accounts Receivable		9200	27,395.48		
4) Due from Grantor Government		9290	293,133.73		
5) Due from Other Funds		9310	0.00		
6) Stores		9320	0.00		
7) Prepaid Expenditures		9330	0.00		
8) Other Current Assets		9340	0.00		
9) TOTAL, ASSETS			985,464.24		
H. DEFERRED OUTFLOWS OF RESOURCES					
1) Deferred Outflows of Resources		9490	0.00		
2) TOTAL, DEFERRED OUTFLOWS			0.00		
I. LIABILITIES					
1) Accounts Payable		9500	526,376.77		
2) Due to Grantor Governments		9590	0.00		
3) Due to Other Funds		9610	0.00		
4) Current Loans		9640			
5) Unearned Revenue		9650	160,221.59		
6) TOTAL, LIABILITIES			686,598.36		
J. DEFERRED INFLOWS OF RESOURCES					
1) Deferred Inflows of Resources		9690	0.00		
2) TOTAL, DEFERRED INFLOWS			0.00		
K. FUND EQUITY					
Ending Fund Balance, June 30 (must agree with line F2) (G9 + H2) - (I6 + J2)			298,865.88		

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
FEDERAL REVENUE					
Child Nutrition Programs		8220	264,522.59	238,994.00	-9.7%
Interagency Contracts Between LEAs		8285	1,487,249.00	1,458,216.00	-2.0%
NCLB: Title I, Part A, Basic Grants Low- Income and Neglected	3010	8290	0.00	0.00	0.0%
All Other Federal Revenue	All Other	8290	0.00	0.00	0.0%
TOTAL, FEDERAL REVENUE			1,751,771.59	1,697,210.00	-3.1%
OTHER STATE REVENUE					
Child Nutrition Programs		8520	12,972.54	13,025.00	0.4%
Child Development Apportionments		8530	0.00	0.00	0.0%
Pass-Through Revenues from State Sources		8587	0.00	0.00	0.0%
State Preschool	6105	8590	2,491,068.77	2,868,929.00	15.2%
All Other State Revenue	All Other	8590	200,870.22	29,407.00	-85.4%
TOTAL, OTHER STATE REVENUE			2,704,911.53	2,911,361.00	7.6%
OTHER LOCAL REVENUE					
Other Local Revenue					
Sales					
Sale of Equipment/Supplies		8631	0.00	0.00	0.0%
Food Service Sales		8634	0.00	0.00	0.0%
Interest		8660	8,770.87	0.00	-100.0%
Net Increase (Decrease) in the Fair Value of Investments		8662	0.00	0.00	0.0%
Fees and Contracts					
Child Development Parent Fees		8673	2,742,660.86	2,979,640.00	8.6%
Interagency Services		8677	0.00	0.00	0.0%
All Other Fees and Contracts		8689	0.00	0.00	0.0%
Other Local Revenue					
All Other Local Revenue		8699	958,489.99	761,266.00	-20.6%
All Other Transfers In from All Others		8799	0.00	0.00	0.0%
TOTAL, OTHER LOCAL REVENUE			3,709,921.72	3,740,906.00	0.8%
TOTAL, REVENUES			8,166,604.84	8,349,477.00	2.2%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
CERTIFICATED SALARIES					
Certificated Teachers' Salaries		1100	2,327,186.10	2,551,879.00	9.7%
Certificated Pupil Support Salaries		1200	55,903.72	67,648.00	21.0%
Certificated Supervisors' and Administrators' Salaries		1300	326,966.04	344,049.00	5.2%
Other Certificated Salaries		1900	0.00	0.00	0.0%
TOTAL, CERTIFICATED SALARIES			2,710,055.86	2,963,576.00	9.4%
CLASSIFIED SALARIES					
Classified Instructional Salaries		2100	1,576,637.88	1,718,154.00	9.0%
Classified Support Salaries		2200	64,030.98	74,949.00	17.1%
Classified Supervisors' and Administrators' Salaries		2300	0.00	0.00	0.0%
Clerical, Technical and Office Salaries		2400	499,331.77	512,941.00	2.7%
Other Classified Salaries		2900	117,613.55	119,248.00	1.4%
TOTAL, CLASSIFIED SALARIES			2,257,614.18	2,425,292.00	7.4%
EMPLOYEE BENEFITS					
STRS		3101-3102	420,371.53	348,541.00	-17.1%
PERS		3201-3202	231,218.65	355,459.00	53.7%
OASDI/Medicare/Alternative		3301-3302	226,132.20	239,194.00	5.8%
Health and Welfare Benefits		3401-3402	844,563.85	995,626.00	17.9%
Unemployment Insurance		3501-3502	2,459.88	2,698.00	9.7%
Workers' Compensation		3601-3602	189,109.70	204,775.00	8.3%
OPEB, Allocated		3701-3702	62,188.76	67,317.00	8.2%
OPEB, Active Employees		3751-3752	0.00	0.00	0.0%
Other Employee Benefits		3901-3902	8,081.30	5,835.00	-27.8%
TOTAL, EMPLOYEE BENEFITS			1,984,125.87	2,219,445.00	11.9%
BOOKS AND SUPPLIES					
Approved Textbooks and Core Curricula Materials		4100	0.00	0.00	0.0%
Books and Other Reference Materials		4200	0.00	0.00	0.0%
Materials and Supplies		4300	189,169.40	274,509.00	45.1%
Noncapitalized Equipment		4400	74,705.88	0.00	-100.0%
Food		4700	0.00	0.00	0.0%
TOTAL, BOOKS AND SUPPLIES			263,875.28	274,509.00	4.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
SERVICES AND OTHER OPERATING EXPENDITURES					
Subagreements for Services		5100	0.00	0.00	0.0%
Travel and Conferences		5200	15,361.68	19,180.00	24.9%
Dues and Memberships		5300	0.00	0.00	0.0%
Insurance		5400-5450	0.00	0.00	0.0%
Operations and Housekeeping Services		5500	48,114.84	35,000.00	-27.3%
Rentals, Leases, Repairs, and Noncapitalized Improvements		5600	51,134.76	21,600.00	-57.8%
Transfers of Direct Costs		5710	0.00	0.00	0.0%
Transfers of Direct Costs - Interfund		5750	398,330.67	259,416.00	-34.9%
Professional/Consulting Services and Operating Expenditures		5800	245,164.45	146,670.00	-40.2%
Communications		5900	9,444.37	8,000.00	-15.3%
TOTAL, SERVICES AND OTHER OPERATING EXPENDITURES			767,550.77	489,866.00	-36.2%
CAPITAL OUTLAY					
Land		6100	0.00	0.00	0.0%
Land Improvements		6170	0.00	0.00	0.0%
Buildings and Improvements of Buildings		6200	0.00	0.00	0.0%
Equipment		6400	0.00	0.00	0.0%
Equipment Replacement		6500	0.00	0.00	0.0%
TOTAL, CAPITAL OUTLAY			0.00	0.00	0.0%
OTHER OUTGO (excluding Transfers of Indirect Costs)					
Other Transfers Out					
All Other Transfers Out to All Others		7299	0.00	0.00	0.0%
Debt Service					
Debt Service - Interest		7438	0.00	0.00	0.0%
Other Debt Service - Principal		7439	0.00	0.00	0.0%
TOTAL, OTHER OUTGO (excluding Transfers of Indirect Costs)			0.00	0.00	0.0%
OTHER OUTGO - TRANSFERS OF INDIRECT COSTS					
Transfers of Indirect Costs - Interfund		7350	383,174.08	386,099.00	0.8%
TOTAL, OTHER OUTGO - TRANSFERS OF INDIRECT COSTS			383,174.08	386,099.00	0.8%
TOTAL, EXPENDITURES			8,366,396.04	8,758,787.00	4.7%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
INTERFUND TRANSFERS					
INTERFUND TRANSFERS IN					
From: General Fund		8911	234,491.00	413,263.00	76.2%
Other Authorized Interfund Transfers In		8919	0.00	0.00	0.0%
(a) TOTAL, INTERFUND TRANSFERS IN			234,491.00	413,263.00	76.2%
INTERFUND TRANSFERS OUT					
Other Authorized Interfund Transfers Out		7619	0.00	0.00	0.0%
(b) TOTAL, INTERFUND TRANSFERS OUT			0.00	0.00	0.0%
OTHER SOURCES/USES					
SOURCES					
Other Sources					
Transfers from Funds of Lapsed/Reorganized LEAs		8965	0.00	0.00	0.0%
Long-Term Debt Proceeds					
Proceeds from Certificates of Participation		8971	0.00	0.00	0.0%
Proceeds from Capital Leases		8972	0.00	0.00	0.0%
All Other Financing Sources		8979	0.00	0.00	0.0%
(c) TOTAL, SOURCES			0.00	0.00	0.0%
USES					
Transfers of Funds from Lapsed/Reorganized LEAs		7651	0.00	0.00	0.0%
All Other Financing Uses		7699	0.00	0.00	0.0%
(d) TOTAL, USES			0.00	0.00	0.0%
CONTRIBUTIONS					
Contributions from Unrestricted Revenues		8980	0.00	0.00	0.0%
Contributions from Restricted Revenues		8990	0.00	0.00	0.0%
(e) TOTAL, CONTRIBUTIONS			0.00	0.00	0.0%
TOTAL, OTHER FINANCING SOURCES/USES (a - b + c - d + e)			234,491.00	413,263.00	76.2%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	1,751,771.59	1,697,210.00	-3.1%
3) Other State Revenue		8300-8599	2,704,911.53	2,911,361.00	7.6%
4) Other Local Revenue		8600-8799	3,709,921.72	3,740,906.00	0.8%
5) TOTAL, REVENUES			8,166,604.84	8,349,477.00	2.2%
B. EXPENDITURES (Objects 1000-7999)					
1) Instruction	1000-1999		6,087,606.21	6,384,542.00	4.9%
2) Instruction - Related Services	2000-2999		1,205,732.49	1,267,965.00	5.2%
3) Pupil Services	3000-3999		495,885.64	538,836.00	8.7%
4) Ancillary Services	4000-4999		0.00	0.00	0.0%
5) Community Services	5000-5999		0.00	0.00	0.0%
6) Enterprise	6000-6999		0.00	0.00	0.0%
7) General Administration	7000-7999		383,174.08	386,099.00	0.8%
8) Plant Services	8000-8999		193,997.62	181,345.00	-6.5%
9) Other Outgo	9000-9999	Except 7600-7699	0.00	0.00	0.0%
10) TOTAL, EXPENDITURES			8,366,396.04	8,758,787.00	4.7%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B10)			(199,791.20)	(409,310.00)	104.9%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	234,491.00	413,263.00	76.2%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			234,491.00	413,263.00	76.2%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			34,699.80	3,953.00	-88.6%
F. FUND BALANCE, RESERVES					
1) Beginning Fund Balance					
a) As of July 1 - Unaudited		9791	264,166.08	298,865.88	13.1%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			264,166.08	298,865.88	13.1%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			264,166.08	298,865.88	13.1%
2) Ending Balance, June 30 (E + F1e)			298,865.88	302,818.88	1.3%
Components of Ending Fund Balance					
a) Nonspendable					
Revolving Cash		9711	0.00	0.00	0.0%
Stores		9712	0.00	0.00	0.0%
Prepaid Expenditures		9713	0.00	0.00	0.0%
All Others		9719	0.00	0.00	0.0%
b) Restricted			105,621.69	105,621.69	0.0%
c) Committed					
Stabilization Arrangements		9750	0.00	0.00	0.0%
Other Commitments (by Resource/Object)		9760	0.00	0.00	0.0%
d) Assigned					
Other Assignments (by Resource/Object)		9780	193,244.19	197,197.19	2.0%
e) Unassigned/Unappropriated					
Reserve for Economic Uncertainties		9789	0.00	0.00	0.0%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.0%

Resource	Description	2015-16 Unaudited Actuals	2016-17 Budget
5320	Child Nutrition: Child Care Food Program (CCFP) Claims-Cen	60,623.26	60,623.26
6130	Child Development: Center-Based Reserve Account	21,316.84	21,316.84
6145	Child Development: Facilities Renovation and Repair	21,441.22	21,441.22
9010	Other Restricted Local	2,240.37	2,240.37
Total, Restricted Balance		105,621.69	105,621.69

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	1,225,533.38	1,200,000.00	-2.1%
3) Other State Revenue		8300-8599	85,298.79	85,000.00	-0.4%
4) Other Local Revenue		8600-8799	1,375,411.87	1,678,289.00	22.0%
5) TOTAL, REVENUES			2,686,244.04	2,963,289.00	10.3%
B. EXPENDITURES					
1) Certificated Salaries		1000-1999	0.00	0.00	0.0%
2) Classified Salaries		2000-2999	1,346,219.53	1,476,549.00	9.7%
3) Employee Benefits		3000-3999	524,814.69	584,153.00	11.3%
4) Books and Supplies		4000-4999	1,312,240.87	1,215,000.00	-7.4%
5) Services and Other Operating Expenditures		5000-5999	(301,644.77)	(327,819.00)	8.7%
6) Capital Outlay		6000-6999	0.00	0.00	0.0%
7) Other Outgo (excluding Transfers of Indirect Costs)		7100-7299, 7400-7499	0.00	0.00	0.0%
8) Other Outgo - Transfers of Indirect Costs		7300-7399	134,840.73	145,406.00	7.8%
9) TOTAL, EXPENDITURES			3,016,471.05	3,093,289.00	2.5%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B9)			(330,227.01)	(130,000.00)	-60.6%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	350,000.00	130,000.00	-62.9%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			350,000.00	130,000.00	-62.9%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			19,772.99	0.00	-100.0%
F. FUND BALANCE, RESERVES					
1) Beginning Fund Balance					
a) As of July 1 - Unaudited		9791	176,203.14	195,976.13	11.2%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			176,203.14	195,976.13	11.2%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			176,203.14	195,976.13	11.2%
2) Ending Balance, June 30 (E + F1e)			195,976.13	195,976.13	0.0%
Components of Ending Fund Balance					
a) Nonspendable					
Revolving Cash		9711	0.00	0.00	0.0%
Stores		9712	19,858.63	20,000.00	0.7%
Prepaid Expenditures		9713	0.00	0.00	0.0%
All Others		9719	0.00	0.00	0.0%
b) Restricted		9740	176,117.50	175,976.13	-0.1%
c) Committed					
Stabilization Arrangements		9750	0.00	0.00	0.0%
Other Commitments		9760	0.00	0.00	0.0%
d) Assigned					
Other Assignments		9780	0.00	0.00	0.0%
e) Unassigned/Unappropriated					
Reserve for Economic Uncertainties		9789	0.00	0.00	0.0%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
G. ASSETS					
1) Cash					
a) in County Treasury		9110	260,473.49		
1) Fair Value Adjustment to Cash in County Treasury		9111	0.00		
b) in Banks		9120	3,276.99		
c) in Revolving Fund		9130	0.00		
d) with Fiscal Agent		9135	0.00		
e) collections awaiting deposit		9140	0.00		
2) Investments		9150	0.00		
3) Accounts Receivable		9200	10,134.74		
4) Due from Grantor Government		9290	41,065.25		
5) Due from Other Funds		9310	0.00		
6) Stores		9320	19,858.63		
7) Prepaid Expenditures		9330	0.00		
8) Other Current Assets		9340	0.00		
9) TOTAL, ASSETS			334,809.10		
H. DEFERRED OUTFLOWS OF RESOURCES					
1) Deferred Outflows of Resources		9490	0.00		
2) TOTAL, DEFERRED OUTFLOWS			0.00		
I. LIABILITIES					
1) Accounts Payable		9500	138,832.97		
2) Due to Grantor Governments		9590	0.00		
3) Due to Other Funds		9610	0.00		
4) Current Loans		9640			
5) Unearned Revenue		9650	0.00		
6) TOTAL, LIABILITIES			138,832.97		
J. DEFERRED INFLOWS OF RESOURCES					
1) Deferred Inflows of Resources		9690	0.00		
2) TOTAL, DEFERRED INFLOWS			0.00		
K. FUND EQUITY					
Ending Fund Balance, June 30 (must agree with line F2) (G9 + H2) - (I6 + J2)			195,976.13		

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
FEDERAL REVENUE					
Child Nutrition Programs		8220	1,137,321.38	1,200,000.00	5.5%
Donated Food Commodities		8221	88,212.00	0.00	-100.0%
All Other Federal Revenue		8290	0.00	0.00	0.0%
TOTAL, FEDERAL REVENUE			1,225,533.38	1,200,000.00	-2.1%
OTHER STATE REVENUE					
Child Nutrition Programs		8520	85,298.79	85,000.00	-0.4%
All Other State Revenue		8590	0.00	0.00	0.0%
TOTAL, OTHER STATE REVENUE			85,298.79	85,000.00	-0.4%
OTHER LOCAL REVENUE					
Other Local Revenue					
Sales					
Sale of Equipment/Supplies		8631	0.00	0.00	0.0%
Food Service Sales		8634	1,329,993.24	1,462,000.00	9.9%
Leases and Rentals		8650	0.00	0.00	0.0%
Interest		8660	798.96	100.00	-87.5%
Net Increase (Decrease) in the Fair Value of Investments		8662	0.00	0.00	0.0%
Fees and Contracts					
Interagency Services		8677	0.00	0.00	0.0%
Other Local Revenue					
All Other Local Revenue		8699	44,619.67	216,189.00	384.5%
TOTAL, OTHER LOCAL REVENUE			1,375,411.87	1,678,289.00	22.0%
TOTAL, REVENUES			2,686,244.04	2,963,289.00	10.3%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
CERTIFICATED SALARIES					
Certificated Supervisors' and Administrators' Salaries		1300	0.00	0.00	0.0%
Other Certificated Salaries		1900	0.00	0.00	0.0%
TOTAL, CERTIFICATED SALARIES			0.00	0.00	0.0%
CLASSIFIED SALARIES					
Classified Support Salaries		2200	1,069,622.98	1,178,237.00	10.2%
Classified Supervisors' and Administrators' Salaries		2300	161,307.55	168,145.00	4.2%
Clerical, Technical and Office Salaries		2400	104,849.00	120,167.00	14.6%
Other Classified Salaries		2900	10,440.00	10,000.00	-4.2%
TOTAL, CLASSIFIED SALARIES			1,346,219.53	1,476,549.00	9.7%
EMPLOYEE BENEFITS					
STRS		3101-3102	0.00	0.00	0.0%
PERS		3201-3202	115,335.42	144,761.00	25.5%
OASDI/Medicare/Alternative		3301-3302	102,149.74	112,956.00	10.6%
Health and Welfare Benefits		3401-3402	233,044.26	246,434.00	5.7%
Unemployment Insurance		3501-3502	679.49	739.00	8.8%
Workers' Compensation		3601-3602	52,152.89	56,109.00	7.6%
OPEB, Allocated		3701-3702	17,003.39	18,457.00	8.5%
OPEB, Active Employees		3751-3752	0.00	0.00	0.0%
Other Employee Benefits		3901-3902	4,449.50	4,697.00	5.6%
TOTAL, EMPLOYEE BENEFITS			524,814.69	584,153.00	11.3%
BOOKS AND SUPPLIES					
Books and Other Reference Materials		4200	0.00	0.00	0.0%
Materials and Supplies		4300	27,052.63	40,000.00	47.9%
Noncapitalized Equipment		4400	6,584.69	10,000.00	51.9%
Food		4700	1,278,603.55	1,165,000.00	-8.9%
TOTAL, BOOKS AND SUPPLIES			1,312,240.87	1,215,000.00	-7.4%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
SERVICES AND OTHER OPERATING EXPENDITURES					
Subagreements for Services		5100	0.00	0.00	0.0%
Travel and Conferences		5200	719.74	1,500.00	108.4%
Dues and Memberships		5300	0.00	0.00	0.0%
Insurance		5400-5450	0.00	0.00	0.0%
Operations and Housekeeping Services		5500	0.00	0.00	0.0%
Rentals, Leases, Repairs, and Noncapitalized Improvements		5600	17,286.90	23,000.00	33.0%
Transfers of Direct Costs		5710	0.00	0.00	0.0%
Transfers of Direct Costs - Interfund		5750	(377,819.29)	(407,519.00)	7.9%
Professional/Consulting Services and Operating Expenditures		5800	58,009.23	55,000.00	-5.2%
Communications		5900	158.65	200.00	26.1%
TOTAL, SERVICES AND OTHER OPERATING EXPENDITURES			(301,644.77)	(327,819.00)	8.7%
CAPITAL OUTLAY					
Buildings and Improvements of Buildings		6200	0.00	0.00	0.0%
Equipment		6400	0.00	0.00	0.0%
Equipment Replacement		6500	0.00	0.00	0.0%
TOTAL, CAPITAL OUTLAY			0.00	0.00	0.0%
OTHER OUTGO (excluding Transfers of Indirect Costs)					
Debt Service					
Debt Service - Interest		7438	0.00	0.00	0.0%
Other Debt Service - Principal		7439	0.00	0.00	0.0%
TOTAL, OTHER OUTGO (excluding Transfers of Indirect Costs)			0.00	0.00	0.0%
OTHER OUTGO - TRANSFERS OF INDIRECT COSTS					
Transfers of Indirect Costs - Interfund		7350	134,840.73	145,406.00	7.8%
TOTAL, OTHER OUTGO - TRANSFERS OF INDIRECT COSTS			134,840.73	145,406.00	7.8%
TOTAL, EXPENDITURES			3,016,471.05	3,093,289.00	2.5%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
INTERFUND TRANSFERS					
INTERFUND TRANSFERS IN					
From: General Fund		8916	350,000.00	130,000.00	-62.9%
Other Authorized Interfund Transfers In		8919	0.00	0.00	0.0%
(a) TOTAL, INTERFUND TRANSFERS IN			350,000.00	130,000.00	-62.9%
INTERFUND TRANSFERS OUT					
Other Authorized Interfund Transfers Out		7619	0.00	0.00	0.0%
(b) TOTAL, INTERFUND TRANSFERS OUT			0.00	0.00	0.0%
OTHER SOURCES/USES					
SOURCES					
Other Sources					
Transfers from Funds of Lapsed/Reorganized LEAs		8965	0.00	0.00	0.0%
Long-Term Debt Proceeds					
Proceeds from Capital Leases		8972	0.00	0.00	0.0%
All Other Financing Sources		8979	0.00	0.00	0.0%
(c) TOTAL, SOURCES			0.00	0.00	0.0%
USES					
Transfers of Funds from Lapsed/Reorganized LEAs					
		7651	0.00	0.00	0.0%
All Other Financing Uses					
		7699	0.00	0.00	0.0%
(d) TOTAL, USES			0.00	0.00	0.0%
CONTRIBUTIONS					
Contributions from Unrestricted Revenues					
		8980	0.00	0.00	0.0%
Contributions from Restricted Revenues					
		8990	0.00	0.00	0.0%
(e) TOTAL, CONTRIBUTIONS			0.00	0.00	0.0%
TOTAL, OTHER FINANCING SOURCES/USES (a - b + c - d + e)			350,000.00	130,000.00	-62.9%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	1,225,533.38	1,200,000.00	-2.1%
3) Other State Revenue		8300-8599	85,298.79	85,000.00	-0.4%
4) Other Local Revenue		8600-8799	1,375,411.87	1,678,289.00	22.0%
5) TOTAL, REVENUES			2,686,244.04	2,963,289.00	10.3%
B. EXPENDITURES (Objects 1000-7999)					
1) Instruction	1000-1999		0.00	0.00	0.0%
2) Instruction - Related Services	2000-2999		0.00	0.00	0.0%
3) Pupil Services	3000-3999		2,881,630.32	2,947,883.00	2.3%
4) Ancillary Services	4000-4999		0.00	0.00	0.0%
5) Community Services	5000-5999		0.00	0.00	0.0%
6) Enterprise	6000-6999		0.00	0.00	0.0%
7) General Administration	7000-7999		134,840.73	145,406.00	7.8%
8) Plant Services	8000-8999		0.00	0.00	0.0%
9) Other Outgo	9000-9999	Except 7600-7699	0.00	0.00	0.0%
10) TOTAL, EXPENDITURES			3,016,471.05	3,093,289.00	2.5%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B10)			(330,227.01)	(130,000.00)	-60.6%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	350,000.00	130,000.00	-62.9%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			350,000.00	130,000.00	-62.9%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			19,772.99	0.00	-100.0%
F. FUND BALANCE, RESERVES					
1) Beginning Fund Balance					
a) As of July 1 - Unaudited		9791	176,203.14	195,976.13	11.2%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			176,203.14	195,976.13	11.2%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			176,203.14	195,976.13	11.2%
2) Ending Balance, June 30 (E + F1e)			195,976.13	195,976.13	0.0%
Components of Ending Fund Balance					
a) Nonspendable					
Revolving Cash		9711	0.00	0.00	0.0%
Stores		9712	19,858.63	20,000.00	0.7%
Prepaid Expenditures		9713	0.00	0.00	0.0%
All Others		9719	0.00	0.00	0.0%
b) Restricted			176,117.50	175,976.13	-0.1%
c) Committed					
Stabilization Arrangements		9750	0.00	0.00	0.0%
Other Commitments (by Resource/Object)		9760	0.00	0.00	0.0%
d) Assigned					
Other Assignments (by Resource/Object)		9780	0.00	0.00	0.0%
e) Unassigned/Unappropriated					
Reserve for Economic Uncertainties		9789	0.00	0.00	0.0%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.0%

Resource	Description	2015-16 Unaudited Actuals	2016-17 Budget
5310	Child Nutrition: School Programs (e.g., School Lunch, School I	176,117.50	175,976.13
Total, Restricted Balance		<u>176,117.50</u>	<u>175,976.13</u>

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	250,000.00	250,000.00	0.0%
2) Federal Revenue		8100-8299	0.00	0.00	0.0%
3) Other State Revenue		8300-8599	0.00	0.00	0.0%
4) Other Local Revenue		8600-8799	988.20	1,000.00	1.2%
5) TOTAL, REVENUES			250,988.20	251,000.00	0.0%
B. EXPENDITURES					
1) Certificated Salaries		1000-1999	0.00	0.00	0.0%
2) Classified Salaries		2000-2999	0.00	0.00	0.0%
3) Employee Benefits		3000-3999	0.00	0.00	0.0%
4) Books and Supplies		4000-4999	0.00	0.00	0.0%
5) Services and Other Operating Expenditures		5000-5999	179,637.85	350,000.00	94.8%
6) Capital Outlay		6000-6999	0.00	0.00	0.0%
7) Other Outgo (excluding Transfers of Indirect Costs)		7100-7299, 7400-7499	0.00	0.00	0.0%
8) Other Outgo - Transfers of Indirect Costs		7300-7399	0.00	0.00	0.0%
9) TOTAL, EXPENDITURES			179,637.85	350,000.00	94.8%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B9)			71,350.35	(99,000.00)	-238.8%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	0.00	0.00	0.0%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			71,350.35	(99,000.00)	-238.8%
F. FUND BALANCE, RESERVES					
1) Beginning Fund Balance					
a) As of July 1 - Unaudited		9791	140,845.89	212,196.24	50.7%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			140,845.89	212,196.24	50.7%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			140,845.89	212,196.24	50.7%
2) Ending Balance, June 30 (E + F1e)			212,196.24	113,196.24	-46.7%
Components of Ending Fund Balance					
a) Nonspendable					
Revolving Cash		9711	0.00	0.00	0.0%
Stores		9712	0.00	0.00	0.0%
Prepaid Expenditures		9713	0.00	0.00	0.0%
All Others		9719	0.00	0.00	0.0%
b) Restricted			0.00	0.00	0.0%
c) Committed					
Stabilization Arrangements		9750	0.00	0.00	0.0%
Other Commitments		9760	212,196.24	113,196.24	-46.7%
d) Assigned					
Other Assignments		9780	0.00	0.00	0.0%
e) Unassigned/Unappropriated					
Reserve for Economic Uncertainties		9789	0.00	0.00	0.0%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
G. ASSETS					
1) Cash					
a) in County Treasury		9110	321,409.64		
1) Fair Value Adjustment to Cash in County Treasury		9111	0.00		
b) in Banks		9120	0.00		
c) in Revolving Fund		9130	0.00		
d) with Fiscal Agent		9135	0.00		
e) collections awaiting deposit		9140	0.00		
2) Investments		9150	0.00		
3) Accounts Receivable		9200	331.60		
4) Due from Grantor Government		9290	0.00		
5) Due from Other Funds		9310	0.00		
6) Stores		9320	0.00		
7) Prepaid Expenditures		9330	0.00		
8) Other Current Assets		9340	0.00		
9) TOTAL, ASSETS			321,741.24		
H. DEFERRED OUTFLOWS OF RESOURCES					
1) Deferred Outflows of Resources		9490	0.00		
2) TOTAL, DEFERRED OUTFLOWS			0.00		
I. LIABILITIES					
1) Accounts Payable		9500	109,545.00		
2) Due to Grantor Governments		9590	0.00		
3) Due to Other Funds		9610	0.00		
4) Current Loans		9640			
5) Unearned Revenue		9650	0.00		
6) TOTAL, LIABILITIES			109,545.00		
J. DEFERRED INFLOWS OF RESOURCES					
1) Deferred Inflows of Resources		9690	0.00		
2) TOTAL, DEFERRED INFLOWS			0.00		
K. FUND EQUITY					
Ending Fund Balance, June 30 (must agree with line F2) (G9 + H2) - (I6 + J2)			212,196.24		

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
LCFF SOURCES					
LCFF Transfers					
LCFF Transfers - Current Year		8091	250,000.00	250,000.00	0.0%
LCFF/Revenue Limit Transfers - Prior Years		8099	0.00	0.00	0.0%
TOTAL, LCFF SOURCES			250,000.00	250,000.00	0.0%
OTHER STATE REVENUE					
All Other State Revenue					
		8590	0.00	0.00	0.0%
TOTAL, OTHER STATE REVENUE			0.00	0.00	0.0%
OTHER LOCAL REVENUE					
Other Local Revenue					
Community Redevelopment Funds Not Subject to LCFF Deduction		8625	0.00	0.00	0.0%
Sales					
Sale of Equipment/Supplies		8631	0.00	0.00	0.0%
Interest		8660	988.20	1,000.00	1.2%
Net Increase (Decrease) in the Fair Value of Investments		8662	0.00	0.00	0.0%
Other Local Revenue					
All Other Local Revenue		8699	0.00	0.00	0.0%
All Other Transfers In from All Others		8799	0.00	0.00	0.0%
TOTAL, OTHER LOCAL REVENUE			988.20	1,000.00	1.2%
TOTAL, REVENUES			250,988.20	251,000.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
CLASSIFIED SALARIES					
Classified Support Salaries		2200	0.00	0.00	0.0%
Other Classified Salaries		2900	0.00	0.00	0.0%
TOTAL, CLASSIFIED SALARIES			0.00	0.00	0.0%
EMPLOYEE BENEFITS					
STRS		3101-3102	0.00	0.00	0.0%
PERS		3201-3202	0.00	0.00	0.0%
OASDI/Medicare/Alternative		3301-3302	0.00	0.00	0.0%
Health and Welfare Benefits		3401-3402	0.00	0.00	0.0%
Unemployment Insurance		3501-3502	0.00	0.00	0.0%
Workers' Compensation		3601-3602	0.00	0.00	0.0%
OPEB, Allocated		3701-3702	0.00	0.00	0.0%
OPEB, Active Employees		3751-3752	0.00	0.00	0.0%
Other Employee Benefits		3901-3902	0.00	0.00	0.0%
TOTAL, EMPLOYEE BENEFITS			0.00	0.00	0.0%
BOOKS AND SUPPLIES					
Books and Other Reference Materials		4200	0.00	0.00	0.0%
Materials and Supplies		4300	0.00	0.00	0.0%
Noncapitalized Equipment		4400	0.00	0.00	0.0%
TOTAL, BOOKS AND SUPPLIES			0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
SERVICES AND OTHER OPERATING EXPENDITURES					
Subagreements for Services		5100	0.00	0.00	0.0%
Travel and Conferences		5200	0.00	0.00	0.0%
Rentals, Leases, Repairs, and Noncapitalized Improvements		5600	57,912.00	250,000.00	331.7%
Transfers of Direct Costs		5710	0.00	0.00	0.0%
Transfers of Direct Costs - Interfund		5750	0.00	0.00	0.0%
Professional/Consulting Services and Operating Expenditures		5800	121,725.85	100,000.00	-17.8%
TOTAL, SERVICES AND OTHER OPERATING EXPENDITURES			179,637.85	350,000.00	94.8%
CAPITAL OUTLAY					
Land Improvements		6170	0.00	0.00	0.0%
Buildings and Improvements of Buildings		6200	0.00	0.00	0.0%
Equipment		6400	0.00	0.00	0.0%
Equipment Replacement		6500	0.00	0.00	0.0%
TOTAL, CAPITAL OUTLAY			0.00	0.00	0.0%
OTHER OUTGO (excluding Transfers of Indirect Costs)					
Debt Service					
Debt Service - Interest		7438	0.00	0.00	0.0%
Other Debt Service - Principal		7439	0.00	0.00	0.0%
TOTAL, OTHER OUTGO (excluding Transfers of Indirect Costs)			0.00	0.00	0.0%
TOTAL, EXPENDITURES			179,637.85	350,000.00	94.8%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
INTERFUND TRANSFERS					
INTERFUND TRANSFERS IN					
Other Authorized Interfund Transfers In		8919	0.00	0.00	0.0%
(a) TOTAL, INTERFUND TRANSFERS IN			0.00	0.00	0.0%
INTERFUND TRANSFERS OUT					
Other Authorized Interfund Transfers Out		7619	0.00	0.00	0.0%
(b) TOTAL, INTERFUND TRANSFERS OUT			0.00	0.00	0.0%
OTHER SOURCES/USES					
SOURCES					
Other Sources					
Transfers from Funds of Lapsed/Reorganized LEAs		8965	0.00	0.00	0.0%
Long-Term Debt Proceeds					
Proceeds from Capital Leases		8972	0.00	0.00	0.0%
All Other Financing Sources		8979	0.00	0.00	0.0%
(c) TOTAL, SOURCES			0.00	0.00	0.0%
USES					
Transfers of Funds from Lapsed/Reorganized LEAs					
		7651	0.00	0.00	0.0%
All Other Financing Uses					
		7699	0.00	0.00	0.0%
(d) TOTAL, USES			0.00	0.00	0.0%
CONTRIBUTIONS					
Contributions from Unrestricted Revenues					
		8980	0.00	0.00	0.0%
Contributions from Restricted Revenues					
		8990	0.00	0.00	0.0%
(e) TOTAL, CONTRIBUTIONS			0.00	0.00	0.0%
TOTAL, OTHER FINANCING SOURCES/USES (a - b + c - d + e)			0.00	0.00	0.0%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	250,000.00	250,000.00	0.0%
2) Federal Revenue		8100-8299	0.00	0.00	0.0%
3) Other State Revenue		8300-8599	0.00	0.00	0.0%
4) Other Local Revenue		8600-8799	988.20	1,000.00	1.2%
5) TOTAL, REVENUES			250,988.20	251,000.00	0.0%
B. EXPENDITURES (Objects 1000-7999)					
1) Instruction	1000-1999		0.00	0.00	0.0%
2) Instruction - Related Services	2000-2999		0.00	0.00	0.0%
3) Pupil Services	3000-3999		0.00	0.00	0.0%
4) Ancillary Services	4000-4999		0.00	0.00	0.0%
5) Community Services	5000-5999		0.00	0.00	0.0%
6) Enterprise	6000-6999		0.00	0.00	0.0%
7) General Administration	7000-7999		0.00	0.00	0.0%
8) Plant Services	8000-8999		179,637.85	350,000.00	94.8%
9) Other Outgo	9000-9999	Except 7600-7699	0.00	0.00	0.0%
10) TOTAL, EXPENDITURES			179,637.85	350,000.00	94.8%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B10)			71,350.35	(99,000.00)	-238.8%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	0.00	0.00	0.0%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			0.00	0.00	0.0%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			71,350.35	(99,000.00)	-238.8%
F. FUND BALANCE, RESERVES					
1) Beginning Fund Balance					
a) As of July 1 - Unaudited		9791	140,845.89	212,196.24	50.7%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			140,845.89	212,196.24	50.7%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			140,845.89	212,196.24	50.7%
2) Ending Balance, June 30 (E + F1e)			212,196.24	113,196.24	-46.7%
Components of Ending Fund Balance					
a) Nonspendable					
Revolving Cash		9711	0.00	0.00	0.0%
Stores		9712	0.00	0.00	0.0%
Prepaid Expenditures		9713	0.00	0.00	0.0%
All Others		9719	0.00	0.00	0.0%
b) Restricted					
		9740	0.00	0.00	0.0%
c) Committed					
Stabilization Arrangements		9750	0.00	0.00	0.0%
Other Commitments (by Resource/Object)		9760	212,196.24	113,196.24	-46.7%
d) Assigned					
Other Assignments (by Resource/Object)		9780	0.00	0.00	0.0%
e) Unassigned/Unappropriated					
Reserve for Economic Uncertainties		9789	0.00	0.00	0.0%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.0%

Resource	Description	2015-16 Unaudited Actuals	2016-17 Budget
	Total, Restricted Balance	0.00	0.00

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	0.00	0.00	0.0%
3) Other State Revenue		8300-8599	0.00	0.00	0.0%
4) Other Local Revenue		8600-8799	853,400.79	453,000.00	-46.9%
5) TOTAL, REVENUES			853,400.79	453,000.00	-46.9%
B. EXPENDITURES					
1) Certificated Salaries		1000-1999	0.00	0.00	0.0%
2) Classified Salaries		2000-2999	401,950.54	406,526.00	1.1%
3) Employee Benefits		3000-3999	166,341.85	192,547.00	15.8%
4) Books and Supplies		4000-4999	1,898,723.73	329,700.00	-82.6%
5) Services and Other Operating Expenditures		5000-5999	10,832,000.97	5,970,028.00	-44.9%
6) Capital Outlay		6000-6999	16,992,000.60	4,976,550.00	-70.7%
7) Other Outgo (excluding Transfers of Indirect Costs)		7100-7299, 7400-7499	0.00	0.00	0.0%
8) Other Outgo - Transfers of Indirect Costs		7300-7399	0.00	0.00	0.0%
9) TOTAL, EXPENDITURES			30,291,017.69	11,875,351.00	-60.8%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B9)			(29,437,616.90)	(11,422,351.00)	-61.2%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	0.00	0.00	0.0%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	60,300,000.00	0.00	-100.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			60,300,000.00	0.00	-100.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			30,862,383.10	(11,422,351.00)	-137.0%
F. FUND BALANCE, RESERVES					
1) Beginning Fund Balance					
a) As of July 1 - Unaudited		9791	61,878,829.25	92,741,212.35	49.9%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			61,878,829.25	92,741,212.35	49.9%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			61,878,829.25	92,741,212.35	49.9%
2) Ending Balance, June 30 (E + F1e)					
Components of Ending Fund Balance					
a) Nonspendable					
Revolving Cash		9711	0.00	0.00	0.0%
Stores		9712	0.00	0.00	0.0%
Prepaid Expenditures		9713	0.00	0.00	0.0%
All Others		9719	0.00	0.00	0.0%
b) Restricted		9740	92,741,212.35	81,318,861.35	-12.3%
c) Committed					
Stabilization Arrangements		9750	0.00	0.00	0.0%
Other Commitments		9760	0.00	0.00	0.0%
d) Assigned					
Other Assignments		9780	0.00	0.00	0.0%
e) Unassigned/Unappropriated					
Reserve for Economic Uncertainties		9789	0.00	0.00	0.0%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
G. ASSETS					
1) Cash					
a) in County Treasury		9110	96,441,776.37		
1) Fair Value Adjustment to Cash in County Treasury		9111	0.00		
b) in Banks		9120	0.00		
c) in Revolving Fund		9130	0.00		
d) with Fiscal Agent		9135	0.00		
e) collections awaiting deposit		9140	0.00		
2) Investments		9150	0.00		
3) Accounts Receivable		9200	321,768.15		
4) Due from Grantor Government		9290	0.00		
5) Due from Other Funds		9310	0.00		
6) Stores		9320	0.00		
7) Prepaid Expenditures		9330	0.00		
8) Other Current Assets		9340	0.00		
9) TOTAL, ASSETS			96,763,544.52		
H. DEFERRED OUTFLOWS OF RESOURCES					
1) Deferred Outflows of Resources		9490	0.00		
2) TOTAL, DEFERRED OUTFLOWS			0.00		
I. LIABILITIES					
1) Accounts Payable		9500	4,022,332.17		
2) Due to Grantor Governments		9590	0.00		
3) Due to Other Funds		9610	0.00		
4) Current Loans		9640	0.00		
5) Unearned Revenue		9650	0.00		
6) TOTAL, LIABILITIES			4,022,332.17		
J. DEFERRED INFLOWS OF RESOURCES					
1) Deferred Inflows of Resources		9690	0.00		
2) TOTAL, DEFERRED INFLOWS			0.00		
K. FUND EQUITY					
Ending Fund Balance, June 30 (must agree with line F2) (G9 + H2) - (I6 + J2)			92,741,212.35		

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
FEDERAL REVENUE					
FEMA		8281	0.00	0.00	0.0%
All Other Federal Revenue		8290	0.00	0.00	0.0%
TOTAL, FEDERAL REVENUE			0.00	0.00	0.0%
OTHER STATE REVENUE					
Tax Relief Subventions Restricted Levies - Other					
Homeowners' Exemptions		8575	0.00	0.00	0.0%
Other Subventions/In-Lieu Taxes		8576	0.00	0.00	0.0%
All Other State Revenue		8590	0.00	0.00	0.0%
TOTAL, OTHER STATE REVENUE			0.00	0.00	0.0%
OTHER LOCAL REVENUE					
Other Local Revenue County and District Taxes					
Other Restricted Levies Secured Roll					
		8615	0.00	0.00	0.0%
Unsecured Roll					
		8616	0.00	0.00	0.0%
Prior Years' Taxes					
		8617	0.00	0.00	0.0%
Supplemental Taxes					
		8618	0.00	0.00	0.0%
Non-Ad Valorem Taxes Parcel Taxes					
		8621	0.00	0.00	0.0%
Other					
		8622	0.00	0.00	0.0%
Community Redevelopment Funds Not Subject to LCFF Deduction					
		8625	0.00	0.00	0.0%
Penalties and Interest from Delinquent Non-LCFF Taxes					
		8629	0.00	0.00	0.0%
Sales Sale of Equipment/Supplies					
		8631	0.00	0.00	0.0%
Leases and Rentals					
		8650	0.00	0.00	0.0%
Interest					
		8660	853,400.79	453,000.00	-46.9%
Net Increase (Decrease) in the Fair Value of Investments					
		8662	0.00	0.00	0.0%
Other Local Revenue					
All Other Local Revenue		8699	0.00	0.00	0.0%
All Other Transfers In from All Others		8799	0.00	0.00	0.0%
TOTAL, OTHER LOCAL REVENUE			853,400.79	453,000.00	-46.9%
TOTAL, REVENUES			853,400.79	453,000.00	-46.9%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
CLASSIFIED SALARIES					
Classified Support Salaries		2200	99,579.69	78,754.00	-20.9%
Classified Supervisors' and Administrators' Salaries		2300	31,638.34	0.00	-100.0%
Clerical, Technical and Office Salaries		2400	197,042.28	222,772.00	13.1%
Other Classified Salaries		2900	73,690.23	105,000.00	42.5%
TOTAL, CLASSIFIED SALARIES			401,950.54	406,526.00	1.1%
EMPLOYEE BENEFITS					
STRS		3101-3102	38.31	0.00	-100.0%
PERS		3201-3202	37,956.27	56,392.00	48.6%
OASDI/Medicare/Alternative		3301-3302	28,329.43	31,061.00	9.6%
Health and Welfare Benefits		3401-3402	79,543.07	80,437.00	1.1%
Unemployment Insurance		3501-3502	186.61	203.00	8.8%
Workers' Compensation		3601-3602	15,274.12	15,430.00	1.0%
OPEB, Allocated		3701-3702	5,014.04	9,024.00	80.0%
OPEB, Active Employees		3751-3752	0.00	0.00	0.0%
Other Employee Benefits		3901-3902	0.00	0.00	0.0%
TOTAL, EMPLOYEE BENEFITS			166,341.85	192,547.00	15.8%
BOOKS AND SUPPLIES					
Books and Other Reference Materials		4200	0.00	0.00	0.0%
Materials and Supplies		4300	95,532.91	124,200.00	30.0%
Noncapitalized Equipment		4400	1,803,190.82	205,500.00	-88.6%
TOTAL, BOOKS AND SUPPLIES			1,898,723.73	329,700.00	-82.6%
SERVICES AND OTHER OPERATING EXPENDITURES					
Subagreements for Services		5100	0.00	0.00	0.0%
Travel and Conferences		5200	1,375.53	3,000.00	118.1%
Insurance		5400-5450	0.00	0.00	0.0%
Operations and Housekeeping Services		5500	0.00	0.00	0.0%
Rentals, Leases, Repairs, and Noncapitalized Improvements		5600	407,691.75	368,400.00	-9.6%
Transfers of Direct Costs		5710	0.00	0.00	0.0%
Transfers of Direct Costs - Interfund		5750	1,688,822.29	162,978.00	-90.3%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
Professional/Consulting Services and Operating Expenditures		5800	8,734,111.40	5,435,400.00	-37.8%
Communications		5900	0.00	250.00	New
TOTAL, SERVICES AND OTHER OPERATING EXPENDITURES			10,832,000.97	5,970,028.00	-44.9%
CAPITAL OUTLAY					
Land		6100	0.00	0.00	0.0%
Land Improvements		6170	0.00	0.00	0.0%
Buildings and Improvements of Buildings		6200	10,258,693.36	4,376,400.00	-57.3%
Books and Media for New School Libraries or Major Expansion of School Libraries		6300	0.00	0.00	0.0%
Equipment		6400	6,733,307.24	600,150.00	-91.1%
Equipment Replacement		6500	0.00	0.00	0.0%
TOTAL, CAPITAL OUTLAY			16,992,000.60	4,976,550.00	-70.7%
OTHER OUTGO (excluding Transfers of Indirect Costs)					
Other Transfers Out					
All Other Transfers Out to All Others		7299	0.00	0.00	0.0%
Debt Service					
Repayment of State School Building Fund Aid - Proceeds from Bonds		7435	0.00	0.00	0.0%
Debt Service - Interest		7438	0.00	0.00	0.0%
Other Debt Service - Principal		7439	0.00	0.00	0.0%
TOTAL, OTHER OUTGO (excluding Transfers of Indirect Costs)			0.00	0.00	0.0%
TOTAL, EXPENDITURES			30,291,017.69	11,875,351.00	-60.8%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
INTERFUND TRANSFERS					
INTERFUND TRANSFERS IN					
Other Authorized Interfund Transfers In		8919	0.00	0.00	0.0%
(a) TOTAL, INTERFUND TRANSFERS IN			0.00	0.00	0.0%
INTERFUND TRANSFERS OUT					
To: State School Building Fund/ County School Facilities Fund		7613	0.00	0.00	0.0%
Other Authorized Interfund Transfers Out		7619	0.00	0.00	0.0%
(b) TOTAL, INTERFUND TRANSFERS OUT			0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
OTHER SOURCES/USES					
SOURCES					
Proceeds					
Proceeds from Sale of Bonds		8951	60,000,000.00	0.00	-100.0%
Proceeds from Sale/Lease- Purchase of Land/Buildings		8953	0.00	0.00	0.0%
Other Sources					
County School Bldg Aid		8961	0.00	0.00	0.0%
Transfers from Funds of Lapsed/Reorganized LEAs		8965	0.00	0.00	0.0%
Long-Term Debt Proceeds					
Proceeds from Certificates of Participation		8971	0.00	0.00	0.0%
Proceeds from Capital Leases		8972	0.00	0.00	0.0%
Proceeds from Lease Revenue Bonds		8973	0.00	0.00	0.0%
All Other Financing Sources		8979	300,000.00	0.00	-100.0%
(c) TOTAL, SOURCES			60,300,000.00	0.00	-100.0%
USES					
Transfers of Funds from Lapsed/Reorganized LEAs		7651	0.00	0.00	0.0%
All Other Financing Uses		7699	0.00	0.00	0.0%
(d) TOTAL, USES			0.00	0.00	0.0%
CONTRIBUTIONS					
Contributions from Unrestricted Revenues		8980	0.00	0.00	0.0%
Contributions from Restricted Revenues		8990	0.00	0.00	0.0%
(e) TOTAL, CONTRIBUTIONS			0.00	0.00	0.0%
TOTAL, OTHER FINANCING SOURCES/USES (a - b + c - d + e)			60,300,000.00	0.00	-100.0%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	0.00	0.00	0.0%
3) Other State Revenue		8300-8599	0.00	0.00	0.0%
4) Other Local Revenue		8600-8799	853,400.79	453,000.00	-46.9%
5) TOTAL, REVENUES			853,400.79	453,000.00	-46.9%
B. EXPENDITURES (Objects 1000-7999)					
1) Instruction	1000-1999		0.00	0.00	0.0%
2) Instruction - Related Services	2000-2999		0.00	0.00	0.0%
3) Pupil Services	3000-3999		0.00	0.00	0.0%
4) Ancillary Services	4000-4999		0.00	0.00	0.0%
5) Community Services	5000-5999		0.00	0.00	0.0%
6) Enterprise	6000-6999		0.00	0.00	0.0%
7) General Administration	7000-7999		0.00	0.00	0.0%
8) Plant Services	8000-8999		29,759,017.69	11,875,351.00	-60.1%
9) Other Outgo	9000-9999	Except 7600-7699	532,000.00	0.00	-100.0%
10) TOTAL, EXPENDITURES			30,291,017.69	11,875,351.00	-60.8%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B10)			(29,437,616.90)	(11,422,351.00)	-61.2%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	0.00	0.00	0.0%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	60,300,000.00	0.00	-100.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			60,300,000.00	0.00	-100.0%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			30,862,383.10	(11,422,351.00)	-137.0%
F. FUND BALANCE, RESERVES					
1) Beginning Fund Balance					
a) As of July 1 - Unaudited		9791	61,878,829.25	92,741,212.35	49.9%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			61,878,829.25	92,741,212.35	49.9%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			61,878,829.25	92,741,212.35	49.9%
2) Ending Balance, June 30 (E + F1e)					
Components of Ending Fund Balance					
a) Nonspendable					
Revolving Cash		9711	0.00	0.00	0.0%
Stores		9712	0.00	0.00	0.0%
Prepaid Expenditures		9713	0.00	0.00	0.0%
All Others		9719	0.00	0.00	0.0%
b) Restricted		9740	92,741,212.35	81,318,861.35	-12.3%
c) Committed					
Stabilization Arrangements		9750	0.00	0.00	0.0%
Other Commitments (by Resource/Object)		9760	0.00	0.00	0.0%
d) Assigned					
Other Assignments (by Resource/Object)		9780	0.00	0.00	0.0%
e) Unassigned/Unappropriated					
Reserve for Economic Uncertainties		9789	0.00	0.00	0.0%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.0%

Resource	Description	2015-16 Unaudited Actuals	2016-17 Budget
9010	Other Restricted Local	92,741,212.35	81,318,861.35
Total, Restricted Balance		<u>92,741,212.35</u>	<u>81,318,861.35</u>

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	0.00	0.00	0.0%
3) Other State Revenue		8300-8599	0.00	0.00	0.0%
4) Other Local Revenue		8600-8799	936,375.07	803,000.00	-14.2%
5) TOTAL, REVENUES			936,375.07	803,000.00	-14.2%
B. EXPENDITURES					
1) Certificated Salaries		1000-1999	0.00	0.00	0.0%
2) Classified Salaries		2000-2999	0.00	0.00	0.0%
3) Employee Benefits		3000-3999	0.00	0.00	0.0%
4) Books and Supplies		4000-4999	0.00	1,000.00	New
5) Services and Other Operating Expenditures		5000-5999	3,134,057.28	802,000.00	-74.4%
6) Capital Outlay		6000-6999	0.00	0.00	0.0%
7) Other Outgo (excluding Transfers of Indirect Costs)		7100-7299, 7400-7499	0.00	0.00	0.0%
8) Other Outgo - Transfers of Indirect Costs		7300-7399	0.00	0.00	0.0%
9) TOTAL, EXPENDITURES			3,134,057.28	803,000.00	-74.4%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B9)			(2,197,682.21)	0.00	-100.0%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	0.00	0.00	0.0%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			(2,197,682.21)	0.00	-100.0%
F. FUND BALANCE, RESERVES					
1) Beginning Fund Balance					
a) As of July 1 - Unaudited		9791	3,434,360.77	1,236,678.56	-64.0%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			3,434,360.77	1,236,678.56	-64.0%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			3,434,360.77	1,236,678.56	-64.0%
2) Ending Balance, June 30 (E + F1e)					
Components of Ending Fund Balance					
a) Nonspendable					
Revolving Cash		9711	0.00	0.00	0.0%
Stores		9712	0.00	0.00	0.0%
Prepaid Expenditures		9713	0.00	0.00	0.0%
All Others		9719	0.00	0.00	0.0%
b) Restricted		9740	1,236,678.56	1,236,678.56	0.0%
c) Committed					
Stabilization Arrangements		9750	0.00	0.00	0.0%
Other Commitments		9760	0.00	0.00	0.0%
d) Assigned					
Other Assignments		9780	0.00	0.00	0.0%
e) Unassigned/Unappropriated					
Reserve for Economic Uncertainties		9789	0.00	0.00	0.0%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
G. ASSETS					
1) Cash					
a) in County Treasury		9110	931,340.68		
1) Fair Value Adjustment to Cash in County Treasury		9111	0.00		
b) in Banks		9120	0.00		
c) in Revolving Fund		9130	0.00		
d) with Fiscal Agent		9135	0.00		
e) collections awaiting deposit		9140	0.00		
2) Investments		9150	0.00		
3) Accounts Receivable		9200	1,055,934.04		
4) Due from Grantor Government		9290	0.00		
5) Due from Other Funds		9310	0.00		
6) Stores		9320	0.00		
7) Prepaid Expenditures		9330	0.00		
8) Other Current Assets		9340	0.00		
9) TOTAL, ASSETS			1,987,274.72		
H. DEFERRED OUTFLOWS OF RESOURCES					
1) Deferred Outflows of Resources		9490	0.00		
2) TOTAL, DEFERRED OUTFLOWS			0.00		
I. LIABILITIES					
1) Accounts Payable		9500	750,596.16		
2) Due to Grantor Governments		9590	0.00		
3) Due to Other Funds		9610	0.00		
4) Current Loans		9640	0.00		
5) Unearned Revenue		9650	0.00		
6) TOTAL, LIABILITIES			750,596.16		
J. DEFERRED INFLOWS OF RESOURCES					
1) Deferred Inflows of Resources		9690	0.00		
2) TOTAL, DEFERRED INFLOWS			0.00		
K. FUND EQUITY					
Ending Fund Balance, June 30 (must agree with line F2) (G9 + H2) - (I6 + J2)			1,236,678.56		

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
OTHER STATE REVENUE					
Tax Relief Subventions Restricted Levies - Other					
Homeowners' Exemptions		8575	0.00	0.00	0.0%
Other Subventions/In-Lieu Taxes		8576	0.00	0.00	0.0%
All Other State Revenue		8590	0.00	0.00	0.0%
TOTAL, OTHER STATE REVENUE			0.00	0.00	0.0%
OTHER LOCAL REVENUE					
Other Local Revenue County and District Taxes					
Other Restricted Levies Secured Roll					
		8615	0.00	0.00	0.0%
Unsecured Roll					
		8616	0.00	0.00	0.0%
Prior Years' Taxes					
		8617	0.00	0.00	0.0%
Supplemental Taxes					
		8618	0.00	0.00	0.0%
Non-Ad Valorem Taxes Parcel Taxes					
		8621	0.00	0.00	0.0%
Other					
		8622	0.00	0.00	0.0%
Community Redevelopment Funds Not Subject to LCFF Deduction					
		8625	0.00	0.00	0.0%
Penalties and Interest from Delinquent Non-LCFF Taxes					
		8629	0.00	0.00	0.0%
Sales Sale of Equipment/Supplies					
		8631	0.00	0.00	0.0%
Interest					
		8660	12,419.04	3,000.00	-75.8%
Net Increase (Decrease) in the Fair Value of Investments					
		8662	0.00	0.00	0.0%
Fees and Contracts					
Mitigation/Developer Fees					
		8681	923,956.03	800,000.00	-13.4%
Other Local Revenue					
All Other Local Revenue					
		8699	0.00	0.00	0.0%
All Other Transfers In from All Others					
		8799	0.00	0.00	0.0%
TOTAL, OTHER LOCAL REVENUE			936,375.07	803,000.00	-14.2%
TOTAL, REVENUES			936,375.07	803,000.00	-14.2%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
CERTIFICATED SALARIES					
Other Certificated Salaries		1900	0.00	0.00	0.0%
TOTAL, CERTIFICATED SALARIES			0.00	0.00	0.0%
CLASSIFIED SALARIES					
Classified Support Salaries		2200	0.00	0.00	0.0%
Classified Supervisors' and Administrators' Salaries		2300	0.00	0.00	0.0%
Clerical, Technical and Office Salaries		2400	0.00	0.00	0.0%
Other Classified Salaries		2900	0.00	0.00	0.0%
TOTAL, CLASSIFIED SALARIES			0.00	0.00	0.0%
EMPLOYEE BENEFITS					
STRS		3101-3102	0.00	0.00	0.0%
PERS		3201-3202	0.00	0.00	0.0%
OASDI/Medicare/Alternative		3301-3302	0.00	0.00	0.0%
Health and Welfare Benefits		3401-3402	0.00	0.00	0.0%
Unemployment Insurance		3501-3502	0.00	0.00	0.0%
Workers' Compensation		3601-3602	0.00	0.00	0.0%
OPEB, Allocated		3701-3702	0.00	0.00	0.0%
OPEB, Active Employees		3751-3752	0.00	0.00	0.0%
Other Employee Benefits		3901-3902	0.00	0.00	0.0%
TOTAL, EMPLOYEE BENEFITS			0.00	0.00	0.0%
BOOKS AND SUPPLIES					
Approved Textbooks and Core Curricula Materials		4100	0.00	0.00	0.0%
Books and Other Reference Materials		4200	0.00	0.00	0.0%
Materials and Supplies		4300	0.00	1,000.00	New
Noncapitalized Equipment		4400	0.00	0.00	0.0%
TOTAL, BOOKS AND SUPPLIES			0.00	1,000.00	New

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
SERVICES AND OTHER OPERATING EXPENDITURES					
Subagreements for Services		5100	0.00	0.00	0.0%
Travel and Conferences		5200	0.00	0.00	0.0%
Insurance		5400-5450	0.00	0.00	0.0%
Operations and Housekeeping Services		5500	0.00	0.00	0.0%
Rentals, Leases, Repairs, and Noncapitalized Improvements		5600	0.00	0.00	0.0%
Transfers of Direct Costs		5710	0.00	0.00	0.0%
Transfers of Direct Costs - Interfund		5750	(1,542,637.73)	0.00	-100.0%
Professional/Consulting Services and Operating Expenditures		5800	4,676,695.01	802,000.00	-82.9%
Communications		5900	0.00	0.00	0.0%
TOTAL, SERVICES AND OTHER OPERATING EXPENDITURES			3,134,057.28	802,000.00	-74.4%
CAPITAL OUTLAY					
Land		6100	0.00	0.00	0.0%
Land Improvements		6170	0.00	0.00	0.0%
Buildings and Improvements of Buildings		6200	0.00	0.00	0.0%
Books and Media for New School Libraries or Major Expansion of School Libraries		6300	0.00	0.00	0.0%
Equipment		6400	0.00	0.00	0.0%
Equipment Replacement		6500	0.00	0.00	0.0%
TOTAL, CAPITAL OUTLAY			0.00	0.00	0.0%
OTHER OUTGO (excluding Transfers of Indirect Costs)					
Other Transfers Out					
All Other Transfers Out to All Others		7299	0.00	0.00	0.0%
Debt Service					
Debt Service - Interest		7438	0.00	0.00	0.0%
Other Debt Service - Principal		7439	0.00	0.00	0.0%
TOTAL, OTHER OUTGO (excluding Transfers of Indirect Costs)			0.00	0.00	0.0%
TOTAL, EXPENDITURES			3,134,057.28	803,000.00	-74.4%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
INTERFUND TRANSFERS					
INTERFUND TRANSFERS IN					
Other Authorized Interfund Transfers In		8919	0.00	0.00	0.0%
(a) TOTAL, INTERFUND TRANSFERS IN			0.00	0.00	0.0%
INTERFUND TRANSFERS OUT					
To: State School Building Fund/ County School Facilities Fund		7613	0.00	0.00	0.0%
Other Authorized Interfund Transfers Out		7619	0.00	0.00	0.0%
(b) TOTAL, INTERFUND TRANSFERS OUT			0.00	0.00	0.0%
OTHER SOURCES/USES					
SOURCES					
Proceeds					
Proceeds from Sale/Lease- Purchase of Land/Buildings		8953	0.00	0.00	0.0%
Other Sources					
Transfers from Funds of Lapsed/Reorganized LEAs		8965	0.00	0.00	0.0%
Long-Term Debt Proceeds					
Proceeds from Certificates of Participation		8971	0.00	0.00	0.0%
Proceeds from Capital Leases		8972	0.00	0.00	0.0%
Proceeds from Lease Revenue Bonds		8973	0.00	0.00	0.0%
All Other Financing Sources		8979	0.00	0.00	0.0%
(c) TOTAL, SOURCES			0.00	0.00	0.0%
USES					
Transfers of Funds from Lapsed/Reorganized LEAs		7651	0.00	0.00	0.0%
All Other Financing Uses		7699	0.00	0.00	0.0%
(d) TOTAL, USES			0.00	0.00	0.0%
CONTRIBUTIONS					
Contributions from Unrestricted Revenues		8980	0.00	0.00	0.0%
Contributions from Restricted Revenues		8990	0.00	0.00	0.0%
(e) TOTAL, CONTRIBUTIONS			0.00	0.00	0.0%
TOTAL, OTHER FINANCING SOURCES/USES (a - b + c - d + e)			0.00	0.00	0.0%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	0.00	0.00	0.0%
3) Other State Revenue		8300-8599	0.00	0.00	0.0%
4) Other Local Revenue		8600-8799	936,375.07	803,000.00	-14.2%
5) TOTAL, REVENUES			936,375.07	803,000.00	-14.2%
B. EXPENDITURES (Objects 1000-7999)					
1) Instruction	1000-1999		0.00	0.00	0.0%
2) Instruction - Related Services	2000-2999		0.00	0.00	0.0%
3) Pupil Services	3000-3999		0.00	0.00	0.0%
4) Ancillary Services	4000-4999		0.00	0.00	0.0%
5) Community Services	5000-5999		0.00	0.00	0.0%
6) Enterprise	6000-6999		0.00	0.00	0.0%
7) General Administration	7000-7999		0.00	0.00	0.0%
8) Plant Services	8000-8999		3,134,057.28	803,000.00	-74.4%
9) Other Outgo	9000-9999	Except 7600-7699	0.00	0.00	0.0%
10) TOTAL, EXPENDITURES			3,134,057.28	803,000.00	-74.4%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B10)			(2,197,682.21)	0.00	-100.0%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	0.00	0.00	0.0%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			0.00	0.00	0.0%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			(2,197,682.21)	0.00	-100.0%
F. FUND BALANCE, RESERVES					
1) Beginning Fund Balance					
a) As of July 1 - Unaudited		9791	3,434,360.77	1,236,678.56	-64.0%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			3,434,360.77	1,236,678.56	-64.0%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			3,434,360.77	1,236,678.56	-64.0%
2) Ending Balance, June 30 (E + F1e)					
Components of Ending Fund Balance					
a) Nonspendable					
Revolving Cash		9711	0.00	0.00	0.0%
Stores		9712	0.00	0.00	0.0%
Prepaid Expenditures		9713	0.00	0.00	0.0%
All Others		9719	0.00	0.00	0.0%
b) Restricted					
c) Committed					
Stabilization Arrangements		9750	0.00	0.00	0.0%
Other Commitments (by Resource/Object)		9760	0.00	0.00	0.0%
d) Assigned					
Other Assignments (by Resource/Object)		9780	0.00	0.00	0.0%
e) Unassigned/Unappropriated					
Reserve for Economic Uncertainties		9789	0.00	0.00	0.0%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.0%

Resource	Description	2015-16 Unaudited Actuals	2016-17 Budget
9010	Other Restricted Local	1,236,678.56	1,236,678.56
Total, Restricted Balance		<u>1,236,678.56</u>	<u>1,236,678.56</u>

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	0.00	0.00	0.0%
3) Other State Revenue		8300-8599	0.00	0.00	0.0%
4) Other Local Revenue		8600-8799	5,938,787.65	4,416,552.00	-25.6%
5) TOTAL, REVENUES			5,938,787.65	4,416,552.00	-25.6%
B. EXPENDITURES					
1) Certificated Salaries		1000-1999	0.00	0.00	0.0%
2) Classified Salaries		2000-2999	0.00	0.00	0.0%
3) Employee Benefits		3000-3999	0.00	0.00	0.0%
4) Books and Supplies		4000-4999	0.00	12,000.00	New
5) Services and Other Operating Expenditures		5000-5999	212,447.69	1,105,269.00	420.3%
6) Capital Outlay		6000-6999	1,821,103.96	5,100,000.00	180.0%
7) Other Outgo (excluding Transfers of Indirect Costs)		7100-7299, 7400-7499	1,867,081.26	1,869,282.00	0.1%
8) Other Outgo - Transfers of Indirect Costs		7300-7399	0.00	0.00	0.0%
9) TOTAL, EXPENDITURES			3,900,632.91	8,086,551.00	107.3%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B9)			2,038,154.74	(3,669,999.00)	-280.1%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	0.00	0.00	0.0%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			2,038,154.74	(3,669,999.00)	-280.1%
F. FUND BALANCE, RESERVES					
1) Beginning Fund Balance					
a) As of July 1 - Unaudited		9791	9,406,054.71	11,444,209.45	21.7%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			9,406,054.71	11,444,209.45	21.7%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			9,406,054.71	11,444,209.45	21.7%
2) Ending Balance, June 30 (E + F1e)					
Components of Ending Fund Balance					
a) Nonspendable					
Revolving Cash		9711	0.00	0.00	0.0%
Stores		9712	0.00	0.00	0.0%
Prepaid Expenditures		9713	0.00	0.00	0.0%
All Others		9719	0.00	0.00	0.0%
b) Restricted		9740	11,444,209.45	7,774,210.45	-32.1%
c) Committed					
Stabilization Arrangements		9750	0.00	0.00	0.0%
Other Commitments		9760	0.00	0.00	0.0%
d) Assigned					
Other Assignments		9780	0.00	0.00	0.0%
e) Unassigned/Unappropriated					
Reserve for Economic Uncertainties		9789	0.00	0.00	0.0%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
G. ASSETS					
1) Cash					
a) in County Treasury		9110	11,550,884.11		
1) Fair Value Adjustment to Cash in County Treasury		9111	0.00		
b) in Banks		9120	564,628.92		
c) in Revolving Fund		9130	0.00		
d) with Fiscal Agent		9135	0.00		
e) collections awaiting deposit		9140	0.00		
2) Investments		9150	0.00		
3) Accounts Receivable		9200	27,288.92		
4) Due from Grantor Government		9290	0.00		
5) Due from Other Funds		9310	0.00		
6) Stores		9320	0.00		
7) Prepaid Expenditures		9330	0.00		
8) Other Current Assets		9340	0.00		
9) TOTAL, ASSETS			12,142,801.95		
H. DEFERRED OUTFLOWS OF RESOURCES					
1) Deferred Outflows of Resources		9490	0.00		
2) TOTAL, DEFERRED OUTFLOWS			0.00		
I. LIABILITIES					
1) Accounts Payable		9500	698,592.50		
2) Due to Grantor Governments		9590	0.00		
3) Due to Other Funds		9610	0.00		
4) Current Loans		9640	0.00		
5) Unearned Revenue		9650	0.00		
6) TOTAL, LIABILITIES			698,592.50		
J. DEFERRED INFLOWS OF RESOURCES					
1) Deferred Inflows of Resources		9690	0.00		
2) TOTAL, DEFERRED INFLOWS			0.00		
K. FUND EQUITY					
Ending Fund Balance, June 30 (must agree with line F2) (G9 + H2) - (I6 + J2)			11,444,209.45		

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
FEDERAL REVENUE					
FEMA		8281	0.00	0.00	0.0%
All Other Federal Revenue		8290	0.00	0.00	0.0%
TOTAL, FEDERAL REVENUE			0.00	0.00	0.0%
OTHER STATE REVENUE					
Pass-Through Revenues from State Sources		8587	0.00	0.00	0.0%
California Clean Energy Jobs Act	6230	8590	0.00	0.00	0.0%
All Other State Revenue	All Other	8590	0.00	0.00	0.0%
TOTAL, OTHER STATE REVENUE			0.00	0.00	0.0%
OTHER LOCAL REVENUE					
Other Local Revenue					
Community Redevelopment Funds Not Subject to LCFF Deduction		8625	5,870,477.02	4,386,552.00	-25.3%
Sales					
Sale of Equipment/Supplies		8631	0.00	0.00	0.0%
Leases and Rentals		8650	0.00	0.00	0.0%
Interest		8660	68,310.63	30,000.00	-56.1%
Net Increase (Decrease) in the Fair Value of Investments		8662	0.00	0.00	0.0%
Other Local Revenue					
All Other Local Revenue		8699	0.00	0.00	0.0%
All Other Transfers In from All Others		8799	0.00	0.00	0.0%
TOTAL, OTHER LOCAL REVENUE			5,938,787.65	4,416,552.00	-25.6%
TOTAL, REVENUES			5,938,787.65	4,416,552.00	-25.6%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
CLASSIFIED SALARIES					
Classified Support Salaries		2200	0.00	0.00	0.0%
Classified Supervisors' and Administrators' Salaries		2300	0.00	0.00	0.0%
Clerical, Technical and Office Salaries		2400	0.00	0.00	0.0%
Other Classified Salaries		2900	0.00	0.00	0.0%
TOTAL, CLASSIFIED SALARIES			0.00	0.00	0.0%
EMPLOYEE BENEFITS					
STRS		3101-3102	0.00	0.00	0.0%
PERS		3201-3202	0.00	0.00	0.0%
OASDI/Medicare/Alternative		3301-3302	0.00	0.00	0.0%
Health and Welfare Benefits		3401-3402	0.00	0.00	0.0%
Unemployment Insurance		3501-3502	0.00	0.00	0.0%
Workers' Compensation		3601-3602	0.00	0.00	0.0%
OPEB, Allocated		3701-3702	0.00	0.00	0.0%
OPEB, Active Employees		3751-3752	0.00	0.00	0.0%
Other Employee Benefits		3901-3902	0.00	0.00	0.0%
TOTAL, EMPLOYEE BENEFITS			0.00	0.00	0.0%
BOOKS AND SUPPLIES					
Books and Other Reference Materials		4200	0.00	0.00	0.0%
Materials and Supplies		4300	0.00	2,000.00	New
Noncapitalized Equipment		4400	0.00	10,000.00	New
TOTAL, BOOKS AND SUPPLIES			0.00	12,000.00	New

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
SERVICES AND OTHER OPERATING EXPENDITURES					
Subagreements for Services		5100	0.00	0.00	0.0%
Travel and Conferences		5200	0.00	0.00	0.0%
Insurance		5400-5450	0.00	0.00	0.0%
Operations and Housekeeping Services		5500	0.00	0.00	0.0%
Rentals, Leases, Repairs, and Noncapitalized Improvements		5600	7,810.85	300,000.00	3740.8%
Transfers of Direct Costs		5710	0.00	0.00	0.0%
Transfers of Direct Costs - Interfund		5750	0.00	0.00	0.0%
Professional/Consulting Services and Operating Expenditures		5800	204,636.84	805,269.00	293.5%
Communications		5900	0.00	0.00	0.0%
TOTAL, SERVICES AND OTHER OPERATING EXPENDITURES			212,447.69	1,105,269.00	420.3%
CAPITAL OUTLAY					
Land		6100	0.00	0.00	0.0%
Land Improvements		6170	0.00	0.00	0.0%
Buildings and Improvements of Buildings		6200	1,805,000.00	5,000,000.00	177.0%
Books and Media for New School Libraries or Major Expansion of School Libraries		6300	0.00	0.00	0.0%
Equipment		6400	0.00	50,000.00	New
Equipment Replacement		6500	16,103.96	50,000.00	210.5%
TOTAL, CAPITAL OUTLAY			1,821,103.96	5,100,000.00	180.0%
OTHER OUTGO (excluding Transfers of Indirect Costs)					
Other Transfers Out					
Transfers of Pass-Through Revenues To Districts or Charter Schools		7211	0.00	0.00	0.0%
To County Offices		7212	0.00	0.00	0.0%
To JPAs		7213	0.00	0.00	0.0%
All Other Transfers Out to All Others		7299	0.00	0.00	0.0%
Debt Service					
Debt Service - Interest		7438	297,081.26	234,282.00	-21.1%
Other Debt Service - Principal		7439	1,570,000.00	1,635,000.00	4.1%
TOTAL, OTHER OUTGO (excluding Transfers of Indirect Costs)			1,867,081.26	1,869,282.00	0.1%
TOTAL, EXPENDITURES			3,900,632.91	8,086,551.00	107.3%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
INTERFUND TRANSFERS					
INTERFUND TRANSFERS IN					
From: General Fund/CSSF		8912	0.00	0.00	0.0%
Other Authorized Interfund Transfers In		8919	0.00	0.00	0.0%
(a) TOTAL, INTERFUND TRANSFERS IN			0.00	0.00	0.0%
INTERFUND TRANSFERS OUT					
To: General Fund/CSSF		7612	0.00	0.00	0.0%
To: State School Building Fund/ County School Facilities Fund		7613	0.00	0.00	0.0%
Other Authorized Interfund Transfers Out		7619	0.00	0.00	0.0%
(b) TOTAL, INTERFUND TRANSFERS OUT			0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
OTHER SOURCES/USES					
SOURCES					
Proceeds					
Proceeds from Sale/Lease- Purchase of Land/Buildings		8953	0.00	0.00	0.0%
Other Sources					
Transfers from Funds of Lapsed/Reorganized LEAs		8965	0.00	0.00	0.0%
Long-Term Debt Proceeds					
Proceeds from Certificates of Participation		8971	0.00	0.00	0.0%
Proceeds from Capital Leases		8972	0.00	0.00	0.0%
Proceeds from Lease Revenue Bonds		8973	0.00	0.00	0.0%
All Other Financing Sources		8979	0.00	0.00	0.0%
(c) TOTAL, SOURCES			0.00	0.00	0.0%
USES					
Transfers of Funds from Lapsed/Reorganized LEAs		7651	0.00	0.00	0.0%
All Other Financing Uses		7699	0.00	0.00	0.0%
(d) TOTAL, USES			0.00	0.00	0.0%
CONTRIBUTIONS					
Contributions from Unrestricted Revenues		8980	0.00	0.00	0.0%
Contributions from Restricted Revenues		8990	0.00	0.00	0.0%
(e) TOTAL, CONTRIBUTIONS			0.00	0.00	0.0%
TOTAL, OTHER FINANCING SOURCES/USES (a - b + c - d + e)			0.00	0.00	0.0%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	0.00	0.00	0.0%
3) Other State Revenue		8300-8599	0.00	0.00	0.0%
4) Other Local Revenue		8600-8799	5,938,787.65	4,416,552.00	-25.6%
5) TOTAL, REVENUES			5,938,787.65	4,416,552.00	-25.6%
B. EXPENDITURES (Objects 1000-7999)					
1) Instruction	1000-1999		0.00	0.00	0.0%
2) Instruction - Related Services	2000-2999		0.00	0.00	0.0%
3) Pupil Services	3000-3999		0.00	0.00	0.0%
4) Ancillary Services	4000-4999		0.00	0.00	0.0%
5) Community Services	5000-5999		0.00	0.00	0.0%
6) Enterprise	6000-6999		0.00	0.00	0.0%
7) General Administration	7000-7999		0.00	0.00	0.0%
8) Plant Services	8000-8999		2,033,551.65	6,217,269.00	205.7%
9) Other Outgo	9000-9999	Except 7600-7699	1,867,081.26	1,869,282.00	0.1%
10) TOTAL, EXPENDITURES			3,900,632.91	8,086,551.00	107.3%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B10)			2,038,154.74	(3,669,999.00)	-280.1%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	0.00	0.00	0.0%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			0.00	0.00	0.0%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			2,038,154.74	(3,669,999.00)	-280.1%
F. FUND BALANCE, RESERVES					
1) Beginning Fund Balance					
a) As of July 1 - Unaudited		9791	9,406,054.71	11,444,209.45	21.7%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			9,406,054.71	11,444,209.45	21.7%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			9,406,054.71	11,444,209.45	21.7%
2) Ending Balance, June 30 (E + F1e)					
Components of Ending Fund Balance					
a) Nonspendable					
Revolving Cash		9711	0.00	0.00	0.0%
Stores		9712	0.00	0.00	0.0%
Prepaid Expenditures		9713	0.00	0.00	0.0%
All Others		9719	0.00	0.00	0.0%
b) Restricted		9740	11,444,209.45	7,774,210.45	-32.1%
c) Committed					
Stabilization Arrangements		9750	0.00	0.00	0.0%
Other Commitments (by Resource/Object)		9760	0.00	0.00	0.0%
d) Assigned					
Other Assignments (by Resource/Object)		9780	0.00	0.00	0.0%
e) Unassigned/Unappropriated					
Reserve for Economic Uncertainties		9789	0.00	0.00	0.0%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.0%

Resource	Description	2015-16 Unaudited Actuals	2016-17 Budget
6230	California Clean Energy Jobs Act	143,269.00	0.00
9010	Other Restricted Local	11,300,940.45	7,774,210.45
Total, Restricted Balance		<u>11,444,209.45</u>	<u>7,774,210.45</u>

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	2,280,043.00	0.00	-100.0%
3) Other State Revenue		8300-8599	65,161.00	0.00	-100.0%
4) Other Local Revenue		8600-8799	37,141,089.00	33,721,003.00	-9.2%
5) TOTAL, REVENUES			39,486,293.00	33,721,003.00	-14.6%
B. EXPENDITURES					
1) Certificated Salaries		1000-1999	0.00	0.00	0.0%
2) Classified Salaries		2000-2999	0.00	0.00	0.0%
3) Employee Benefits		3000-3999	0.00	0.00	0.0%
4) Books and Supplies		4000-4999	0.00	0.00	0.0%
5) Services and Other Operating Expenditures		5000-5999	0.00	0.00	0.0%
6) Capital Outlay		6000-6999	0.00	0.00	0.0%
7) Other Outgo (excluding Transfers of Indirect Costs)		7100-7299, 7400-7499	48,187,390.00	38,769,959.00	-19.5%
8) Other Outgo - Transfers of Indirect Costs		7300-7399	0.00	0.00	0.0%
9) TOTAL, EXPENDITURES			48,187,390.00	38,769,959.00	-19.5%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B9)			(8,701,097.00)	(5,048,956.00)	-42.0%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	0.00	0.00	0.0%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			(8,701,097.00)	(5,048,956.00)	-42.0%
F. FUND BALANCE, RESERVES					
1) Beginning Fund Balance					
a) As of July 1 - Unaudited		9791	45,210,774.00	36,509,677.00	-19.2%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			45,210,774.00	36,509,677.00	-19.2%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			45,210,774.00	36,509,677.00	-19.2%
2) Ending Balance, June 30 (E + F1e)			36,509,677.00	31,460,721.00	-13.8%
Components of Ending Fund Balance					
a) Nonspendable					
Revolving Cash		9711	0.00	0.00	0.0%
Stores		9712	0.00	0.00	0.0%
Prepaid Expenditures		9713	0.00	0.00	0.0%
All Others		9719	0.00	0.00	0.0%
b) Restricted		9740	36,509,677.00	31,460,721.00	-13.8%
c) Committed					
Stabilization Arrangements		9750	0.00	0.00	0.0%
Other Commitments		9760	0.00	0.00	0.0%
d) Assigned					
Other Assignments		9780	0.00	0.00	0.0%
e) Unassigned/Unappropriated					
Reserve for Economic Uncertainties		9789	0.00	0.00	0.0%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
G. ASSETS					
1) Cash					
a) in County Treasury		9110	36,509,677.00		
1) Fair Value Adjustment to Cash in County Treasury		9111	0.00		
b) in Banks		9120	0.00		
c) in Revolving Fund		9130	0.00		
d) with Fiscal Agent		9135	0.00		
e) collections awaiting deposit		9140	0.00		
2) Investments		9150	0.00		
3) Accounts Receivable		9200	0.00		
4) Due from Grantor Government		9290	0.00		
5) Due from Other Funds		9310	0.00		
6) Stores		9320	0.00		
7) Prepaid Expenditures		9330	0.00		
8) Other Current Assets		9340	0.00		
9) TOTAL, ASSETS			36,509,677.00		
H. DEFERRED OUTFLOWS OF RESOURCES					
1) Deferred Outflows of Resources		9490	0.00		
2) TOTAL, DEFERRED OUTFLOWS			0.00		
I. LIABILITIES					
1) Accounts Payable		9500	0.00		
2) Due to Grantor Governments		9590	0.00		
3) Due to Other Funds		9610	0.00		
4) Current Loans		9640	0.00		
5) Unearned Revenue		9650	0.00		
6) TOTAL, LIABILITIES			0.00		
J. DEFERRED INFLOWS OF RESOURCES					
1) Deferred Inflows of Resources		9690	0.00		
2) TOTAL, DEFERRED INFLOWS			0.00		
K. FUND EQUITY					
Ending Fund Balance, June 30 (must agree with line F2) (G9 + H2) - (I6 + J2)			36,509,677.00		

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
FEDERAL REVENUE					
All Other Federal Revenue		8290	2,280,043.00	0.00	-100.0%
TOTAL, FEDERAL REVENUE			2,280,043.00	0.00	-100.0%
OTHER STATE REVENUE					
Tax Relief Subventions Voted Indebtedness Levies					
Homeowners' Exemptions		8571	65,161.00	0.00	-100.0%
Other Subventions/In-Lieu Taxes		8572	0.00	0.00	0.0%
TOTAL, OTHER STATE REVENUE			65,161.00	0.00	-100.0%
OTHER LOCAL REVENUE					
Other Local Revenue County and District Taxes Voted Indebtedness Levies Secured Roll		8611	31,197,080.00	32,295,530.00	3.5%
Unsecured Roll		8612	729,309.00	507,479.00	-30.4%
Prior Years' Taxes		8613	578,800.00	289,400.00	-50.0%
Supplemental Taxes		8614	1,154,409.00	577,205.00	-50.0%
Penalties and Interest from Delinquent Non-LCFF Taxes		8629	129,415.00	0.00	-100.0%
Interest		8660	171,298.00	51,389.00	-70.0%
Net Increase (Decrease) in the Fair Value of Investments		8662	0.00	0.00	0.0%
Other Local Revenue All Other Local Revenue		8699	3,180,778.00	0.00	-100.0%
All Other Transfers In from All Others		8799	0.00	0.00	0.0%
TOTAL, OTHER LOCAL REVENUE			37,141,089.00	33,721,003.00	-9.2%
TOTAL, REVENUES			39,486,293.00	33,721,003.00	-14.6%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
OTHER OUTGO (excluding Transfers of Indirect Costs)					
Debt Service					
Bond Redemptions		7433	31,601,051.00	21,307,107.00	-32.6%
Bond Interest and Other Service Charges		7434	16,586,339.00	17,462,852.00	5.3%
Debt Service - Interest		7438	0.00	0.00	0.0%
Other Debt Service - Principal		7439	0.00	0.00	0.0%
TOTAL, OTHER OUTGO (excluding Transfers of Indirect Costs)			48,187,390.00	38,769,959.00	-19.5%
TOTAL, EXPENDITURES			48,187,390.00	38,769,959.00	-19.5%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
INTERFUND TRANSFERS					
INTERFUND TRANSFERS IN					
Other Authorized Interfund Transfers In		8919	0.00	0.00	0.0%
(a) TOTAL, INTERFUND TRANSFERS IN			0.00	0.00	0.0%
INTERFUND TRANSFERS OUT					
To: General Fund		7614	0.00	0.00	0.0%
Other Authorized Interfund Transfers Out		7619	0.00	0.00	0.0%
(b) TOTAL, INTERFUND TRANSFERS OUT			0.00	0.00	0.0%
OTHER SOURCES/USES					
SOURCES					
Other Sources					
Transfers from Funds of Lapsed/Reorganized LEAs		8965	0.00	0.00	0.0%
All Other Financing Sources		8979	0.00	0.00	0.0%
(c) TOTAL, SOURCES			0.00	0.00	0.0%
USES					
Transfers of Funds from Lapsed/Reorganized LEAs		7651	0.00	0.00	0.0%
All Other Financing Uses		7699	0.00	0.00	0.0%
(d) TOTAL, USES			0.00	0.00	0.0%
CONTRIBUTIONS					
Contributions from Unrestricted Revenues		8980	0.00	0.00	0.0%
Contributions from Restricted Revenues		8990	0.00	0.00	0.0%
(e) TOTAL, CONTRIBUTIONS			0.00	0.00	0.0%
TOTAL, OTHER FINANCING SOURCES/USES (a - b + c - d + e)			0.00	0.00	0.0%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	2,280,043.00	0.00	-100.0%
3) Other State Revenue		8300-8599	65,161.00	0.00	-100.0%
4) Other Local Revenue		8600-8799	37,141,089.00	33,721,003.00	-9.2%
5) TOTAL, REVENUES			39,486,293.00	33,721,003.00	-14.6%
B. EXPENDITURES (Objects 1000-7999)					
1) Instruction	1000-1999		0.00	0.00	0.0%
2) Instruction - Related Services	2000-2999		0.00	0.00	0.0%
3) Pupil Services	3000-3999		0.00	0.00	0.0%
4) Ancillary Services	4000-4999		0.00	0.00	0.0%
5) Community Services	5000-5999		0.00	0.00	0.0%
6) Enterprise	6000-6999		0.00	0.00	0.0%
7) General Administration	7000-7999		0.00	0.00	0.0%
8) Plant Services	8000-8999		0.00	0.00	0.0%
9) Other Outgo	9000-9999	Except 7600-7699	48,187,390.00	38,769,959.00	-19.5%
10) TOTAL, EXPENDITURES			48,187,390.00	38,769,959.00	-19.5%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B10)			(8,701,097.00)	(5,048,956.00)	-42.0%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	0.00	0.00	0.0%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			0.00	0.00	0.0%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			(8,701,097.00)	(5,048,956.00)	-42.0%
F. FUND BALANCE, RESERVES					
1) Beginning Fund Balance					
a) As of July 1 - Unaudited		9791	45,210,774.00	36,509,677.00	-19.2%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			45,210,774.00	36,509,677.00	-19.2%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			45,210,774.00	36,509,677.00	-19.2%
2) Ending Balance, June 30 (E + F1e)			36,509,677.00	31,460,721.00	-13.8%
Components of Ending Fund Balance					
a) Nonspendable					
Revolving Cash		9711	0.00	0.00	0.0%
Stores		9712	0.00	0.00	0.0%
Prepaid Expenditures		9713	0.00	0.00	0.0%
All Others		9719	0.00	0.00	0.0%
b) Restricted			36,509,677.00	31,460,721.00	-13.8%
c) Committed					
Stabilization Arrangements		9750	0.00	0.00	0.0%
Other Commitments (by Resource/Object)		9760	0.00	0.00	0.0%
d) Assigned					
Other Assignments (by Resource/Object)		9780	0.00	0.00	0.0%
e) Unassigned/Unappropriated					
Reserve for Economic Uncertainties		9789	0.00	0.00	0.0%
Unassigned/Unappropriated Amount		9790	0.00	0.00	0.0%

Resource	Description	2015-16 Unaudited Actuals	2016-17 Budget
9010	Other Restricted Local	36,509,677.00	31,460,721.00
Total, Restricted Balance		<u>36,509,677.00</u>	<u>31,460,721.00</u>

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	0.00	0.00	0.0%
3) Other State Revenue		8300-8599	0.00	0.00	0.0%
4) Other Local Revenue		8600-8799	(0.04)	0.00	-100.0%
5) TOTAL, REVENUES			(0.04)	0.00	-100.0%
B. EXPENSES					
1) Certificated Salaries		1000-1999	0.00	0.00	0.0%
2) Classified Salaries		2000-2999	0.00	0.00	0.0%
3) Employee Benefits		3000-3999	0.00	0.00	0.0%
4) Books and Supplies		4000-4999	0.00	0.00	0.0%
5) Services and Other Operating Expenses		5000-5999	(9,978,925.83)	0.00	-100.0%
6) Depreciation		6000-6999	0.00	0.00	0.0%
7) Other Outgo (excluding Transfers of Indirect Costs)		7100-7299, 7400-7499	0.00	0.00	0.0%
8) Other Outgo - Transfers of Indirect Costs		7300-7399	0.00	0.00	0.0%
9) TOTAL, EXPENSES			(9,978,925.83)	0.00	-100.0%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B9)			9,978,925.79	0.00	-100.0%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	0.00	0.00	0.0%
b) Transfers Out		7600-7629	4,539,639.46	0.00	-100.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			(4,539,639.46)	0.00	-100.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN NET POSITION (C + D4)			5,439,286.33	0.00	-100.0%
F. NET POSITION					
1) Beginning Net Position					
a) As of July 1 - Unaudited		9791	(5,439,286.33)	0.00	-100.0%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			(5,439,286.33)	0.00	-100.0%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Net Position (F1c + F1d)			(5,439,286.33)	0.00	-100.0%
2) Ending Net Position, June 30 (E + F1e)			0.00	0.00	0.0%
Components of Ending Net Position					
a) Net Investment in Capital Assets		9796	0.00	0.00	0.0%
b) Restricted Net Position		9797	0.00	0.00	0.0%
c) Unrestricted Net Position		9790	0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
G. ASSETS					
1) Cash					
a) in County Treasury		9110	0.00		
1) Fair Value Adjustment to Cash in County Treasury		9111	0.00		
b) in Banks		9120	0.00		
c) in Revolving Fund		9130	0.00		
d) with Fiscal Agent		9135	0.00		
e) collections awaiting deposit		9140	0.00		
2) Investments		9150	0.00		
3) Accounts Receivable		9200	0.00		
4) Due from Grantor Government		9290	0.00		
5) Due from Other Funds		9310	0.00		
6) Stores		9320	0.00		
7) Prepaid Expenditures		9330	0.00		
8) Other Current Assets		9340	0.00		
9) Fixed Assets					
a) Land		9410	0.00		
b) Land Improvements		9420	0.00		
c) Accumulated Depreciation - Land Improvements		9425	0.00		
d) Buildings		9430	0.00		
e) Accumulated Depreciation - Buildings		9435	0.00		
f) Equipment		9440	0.00		
g) Accumulated Depreciation - Equipment		9445	0.00		
h) Work in Progress		9450	0.00		
10) TOTAL, ASSETS			0.00		
H. DEFERRED OUTFLOWS OF RESOURCES					
1) Deferred Outflows of Resources		9490	0.00		
2) TOTAL, DEFERRED OUTFLOWS			0.00		

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
I. LIABILITIES					
1) Accounts Payable		9500	0.00		
2) Due to Grantor Governments		9590	0.00		
3) Due to Other Funds		9610	0.00		
4) Current Loans		9640			
5) Unearned Revenue		9650	0.00		
6) Long-Term Liabilities					
a) Net Pension Liability		9663	0.00		
b) Net OPEB Obligation		9664	0.00		
c) Compensated Absences		9665	0.00		
d) COPs Payable		9666	0.00		
e) Capital Leases Payable		9667	0.00		
f) Lease Revenue Bonds Payable		9668	0.00		
g) Other General Long-Term Liabilities		9669	0.00		
7) TOTAL, LIABILITIES			0.00		
J. DEFERRED INFLOWS OF RESOURCES					
1) Deferred Inflows of Resources		9690	0.00		
2) TOTAL, DEFERRED INFLOWS			0.00		
K. NET POSITION					
Net Position, June 30 (must agree with line F2) (G10 + H2) - (I7 + J2)			0.00		

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
OTHER STATE REVENUE					
STRS On-Behalf Pension Contributions	7690	8590	0.00	0.00	0.0%
All Other State Revenue	All Other	8590	0.00	0.00	0.0%
TOTAL, OTHER STATE REVENUE			0.00	0.00	0.0%
OTHER LOCAL REVENUE					
Other Local Revenue					
Sales					
Sale of Equipment/Supplies		8631	0.00	0.00	0.0%
Interest		8660	(0.04)	0.00	-100.0%
Net Increase (Decrease) in the Fair Value of Investments		8662	0.00	0.00	0.0%
Fees and Contracts					
In-District Premiums/ Contributions		8674	0.00	0.00	0.0%
All Other Fees and Contracts		8689	0.00	0.00	0.0%
Other Local Revenue					
All Other Local Revenue		8699	0.00	0.00	0.0%
All Other Transfers In from All Others		8799	0.00	0.00	0.0%
TOTAL, OTHER LOCAL REVENUE			(0.04)	0.00	-100.0%
TOTAL, REVENUES			(0.04)	0.00	-100.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
CERTIFICATED SALARIES					
Certificated Pupil Support Salaries		1200	0.00	0.00	0.0%
Certificated Supervisors' and Administrators' Salaries		1300	0.00	0.00	0.0%
TOTAL, CERTIFICATED SALARIES			0.00	0.00	0.0%
CLASSIFIED SALARIES					
Classified Support Salaries		2200	0.00	0.00	0.0%
Classified Supervisors' and Administrators' Salaries		2300	0.00	0.00	0.0%
Clerical, Technical and Office Salaries		2400	0.00	0.00	0.0%
Other Classified Salaries		2900	0.00	0.00	0.0%
TOTAL, CLASSIFIED SALARIES			0.00	0.00	0.0%
EMPLOYEE BENEFITS					
STRS		3101-3102	0.00	0.00	0.0%
PERS		3201-3202	0.00	0.00	0.0%
OASDI/Medicare/Alternative		3301-3302	0.00	0.00	0.0%
Health and Welfare Benefits		3401-3402	0.00	0.00	0.0%
Unemployment Insurance		3501-3502	0.00	0.00	0.0%
Workers' Compensation		3601-3602	0.00	0.00	0.0%
OPEB, Allocated		3701-3702	0.00	0.00	0.0%
OPEB, Active Employees		3751-3752	0.00	0.00	0.0%
Other Employee Benefits		3901-3902	0.00	0.00	0.0%
TOTAL, EMPLOYEE BENEFITS			0.00	0.00	0.0%
BOOKS AND SUPPLIES					
Books and Other Reference Materials		4200	0.00	0.00	0.0%
Materials and Supplies		4300	0.00	0.00	0.0%
Noncapitalized Equipment		4400	0.00	0.00	0.0%
TOTAL, BOOKS AND SUPPLIES			0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
SERVICES AND OTHER OPERATING EXPENSES					
Subagreements for Services		5100	0.00	0.00	0.0%
Travel and Conferences		5200	0.00	0.00	0.0%
Dues and Memberships		5300	0.00	0.00	0.0%
Insurance		5400-5450	0.00	0.00	0.0%
Operations and Housekeeping Services		5500	0.00	0.00	0.0%
Rentals, Leases, Repairs, and Noncapitalized Improvements		5600	0.00	0.00	0.0%
Transfers of Direct Costs - Interfund		5750	0.00	0.00	0.0%
Professional/Consulting Services and Operating Expenditures		5800	(9,978,925.83)	0.00	-100.0%
Communications		5900	0.00	0.00	0.0%
TOTAL, SERVICES AND OTHER OPERATING EXPENSES			(9,978,925.83)	0.00	-100.0%
DEPRECIATION					
Depreciation Expense		6900	0.00	0.00	0.0%
TOTAL, DEPRECIATION			0.00	0.00	0.0%
TOTAL, EXPENSES			(9,978,925.83)	0.00	-100.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
INTERFUND TRANSFERS					
INTERFUND TRANSFERS IN					
Other Authorized Interfund Transfers In		8919	0.00	0.00	0.0%
(a) TOTAL, INTERFUND TRANSFERS IN			0.00	0.00	0.0%
INTERFUND TRANSFERS OUT					
Other Authorized Interfund Transfers Out		7619	4,539,639.46	0.00	-100.0%
(b) TOTAL, INTERFUND TRANSFERS OUT			4,539,639.46	0.00	-100.0%
OTHER SOURCES/USES					
SOURCES					
Other Sources					
Transfers from Funds of Lapsed/Reorganized LEAs		8965	0.00	0.00	0.0%
(c) TOTAL, SOURCES			0.00	0.00	0.0%
USES					
Transfers of Funds from Lapsed/Reorganized LEAs		7651	0.00	0.00	0.0%
(d) TOTAL, USES			0.00	0.00	0.0%
CONTRIBUTIONS					
Contributions from Unrestricted Revenues		8980	0.00	0.00	0.0%
Contributions from Restricted Revenues		8990	0.00	0.00	0.0%
(e) TOTAL, CONTRIBUTIONS			0.00	0.00	0.0%
TOTAL, OTHER FINANCING SOURCES/USES (a - b + c - d + e)			(4,539,639.46)	0.00	-100.0%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	0.00	0.00	0.0%
3) Other State Revenue		8300-8599	0.00	0.00	0.0%
4) Other Local Revenue		8600-8799	(0.04)	0.00	-100.0%
5) TOTAL, REVENUES			(0.04)	0.00	-100.0%
B. EXPENSES (Objects 1000-7999)					
1) Instruction	1000-1999		0.00	0.00	0.0%
2) Instruction - Related Services	2000-2999		0.00	0.00	0.0%
3) Pupil Services	3000-3999		0.00	0.00	0.0%
4) Ancillary Services	4000-4999		0.00	0.00	0.0%
5) Community Services	5000-5999		0.00	0.00	0.0%
6) Enterprise	6000-6999		(9,978,925.83)	0.00	-100.0%
7) General Administration	7000-7999		0.00	0.00	0.0%
8) Plant Services	8000-8999		0.00	0.00	0.0%
9) Other Outgo	9000-9999	Except 7600-7699	0.00	0.00	0.0%
10) TOTAL, EXPENSES			(9,978,925.83)	0.00	-100.0%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B10)			9,978,925.79	0.00	-100.0%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	0.00	0.00	0.0%
b) Transfers Out		7600-7629	4,539,639.46	0.00	-100.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			(4,539,639.46)	0.00	-100.0%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN NET POSITION (C + D4)			5,439,286.33	0.00	-100.0%
F. NET POSITION					
1) Beginning Net Position					
a) As of July 1 - Unaudited		9791	(5,439,286.33)	0.00	-100.0%
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			(5,439,286.33)	0.00	-100.0%
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Net Position (F1c + F1d)			(5,439,286.33)	0.00	-100.0%
2) Ending Net Position, June 30 (E + F1e)			0.00	0.00	0.0%
Components of Ending Net Position					
a) Net Investment in Capital Assets		9796	0.00	0.00	0.0%
b) Restricted Net Position		9797	0.00	0.00	0.0%
c) Unrestricted Net Position		9790	0.00	0.00	0.0%

Resource	Description	2015-16 Unaudited Actuals	2016-17 Budget
	Total, Restricted Net Position	0.00	0.00

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	0.00	0.00	0.0%
3) Other State Revenue		8300-8599	0.00	0.00	0.0%
4) Other Local Revenue		8600-8799	1,242,292.31	1,350,821.00	8.7%
5) TOTAL, REVENUES			1,242,292.31	1,350,821.00	8.7%
B. EXPENSES					
1) Certificated Salaries		1000-1999	0.00	0.00	0.0%
2) Classified Salaries		2000-2999	0.00	0.00	0.0%
3) Employee Benefits		3000-3999	0.00	0.00	0.0%
4) Books and Supplies		4000-4999	0.00	0.00	0.0%
5) Services and Other Operating Expenses		5000-5999	661,757.57	1,300,000.00	96.4%
6) Depreciation		6000-6999	0.00	0.00	0.0%
7) Other Outgo (excluding Transfers of Indirect Costs)		7100-7299, 7400-7499	0.00	0.00	0.0%
8) Other Outgo - Transfers of Indirect Costs		7300-7399	0.00	0.00	0.0%
9) TOTAL, EXPENSES			661,757.57	1,300,000.00	96.4%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B9)			580,534.74	50,821.00	-91.2%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	4,539,639.46	0.00	-100.0%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			4,539,639.46	0.00	-100.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN NET POSITION (C + D4)			5,120,174.20	50,821.00	-99.0%
F. NET POSITION					
1) Beginning Net Position					
a) As of July 1 - Unaudited		9791	0.00	5,120,174.20	New
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			0.00	5,120,174.20	New
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Net Position (F1c + F1d)			0.00	5,120,174.20	New
2) Ending Net Position, June 30 (E + F1e)			5,120,174.20	5,170,995.20	1.0%
Components of Ending Net Position					
a) Net Investment in Capital Assets		9796	0.00	0.00	0.0%
b) Restricted Net Position		9797	5,120,174.20	5,170,995.20	1.0%
c) Unrestricted Net Position		9790	0.00	0.00	0.0%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
G. ASSETS					
1) Cash					
a) in County Treasury		9110	3,606,964.02		
1) Fair Value Adjustment to Cash in County Treasury		9111	0.00		
b) in Banks		9120	0.00		
c) in Revolving Fund		9130	0.00		
d) with Fiscal Agent		9135	0.00		
e) collections awaiting deposit		9140	0.00		
2) Investments		9150	1,500,000.00		
3) Accounts Receivable		9200	13,210.18		
4) Due from Grantor Government		9290	0.00		
5) Due from Other Funds		9310	0.00		
6) Stores		9320	0.00		
7) Prepaid Expenditures		9330	0.00		
8) Other Current Assets		9340	0.00		
9) Fixed Assets		9400			
10) TOTAL, ASSETS			5,120,174.20		
H. DEFERRED OUTFLOWS OF RESOURCES					
1) Deferred Outflows of Resources		9490	0.00		
2) TOTAL, DEFERRED OUTFLOWS			0.00		

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
I. LIABILITIES					
1) Accounts Payable		9500	0.00		
2) Due to Grantor Governments		9590	0.00		
3) Due to Other Funds		9610	0.00		
4) Current Loans		9640			
5) Unearned Revenue		9650	0.00		
6) Long-Term Liabilities					
a) Net Pension Liability		9663	0.00		
b) Net OPEB Obligation		9664	0.00		
c) Compensated Absences		9665	0.00		
d) COPs Payable		9666	0.00		
e) Capital Leases Payable		9667	0.00		
f) Lease Revenue Bonds Payable		9668	0.00		
g) Other General Long-Term Liabilities		9669	0.00		
7) TOTAL, LIABILITIES			0.00		
J. DEFERRED INFLOWS OF RESOURCES					
1) Deferred Inflows of Resources		9690	0.00		
2) TOTAL, DEFERRED INFLOWS			0.00		
K. NET POSITION					
Net Position, June 30 (must agree with line F2) (G10 + H2) - (I7 + J2)			5,120,174.20		

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
OTHER LOCAL REVENUE					
Other Local Revenue					
Interest		8660	32,441.95	10,000.00	-69.2%
Net Increase (Decrease) in the Fair Value of Investments		8662	0.00	0.00	0.0%
Fees and Contracts					
In-District Premiums/ Contributions		8674	1,209,850.36	1,310,821.00	8.3%
Other Local Revenue					
All Other Local Revenue		8699	0.00	30,000.00	New
TOTAL, OTHER LOCAL REVENUE			1,242,292.31	1,350,821.00	8.7%
TOTAL, REVENUES			1,242,292.31	1,350,821.00	8.7%
SERVICES AND OTHER OPERATING EXPENSES					
Subagreements for Services		5100	0.00	0.00	0.0%
Professional/Consulting Services and Operating Expenditures		5800	661,757.57	1,300,000.00	96.4%
TOTAL, SERVICES AND OTHER OPERATING EXPENSES			661,757.57	1,300,000.00	96.4%
TOTAL, EXPENSES			661,757.57	1,300,000.00	96.4%

Description	Resource Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
INTERFUND TRANSFERS					
INTERFUND TRANSFERS IN					
Other Authorized Interfund Transfers In		8919	4,539,639.46	0.00	-100.0%
(a) TOTAL, INTERFUND TRANSFERS IN			4,539,639.46	0.00	-100.0%
OTHER SOURCES/USES					
SOURCES					
Other Sources					
Transfers from Funds of Lapsed/Reorganized LEAs		8965	0.00	0.00	0.0%
All Other Financing Sources		8979	0.00	0.00	0.0%
(c) TOTAL, SOURCES			0.00	0.00	0.0%
USES					
Transfers of Funds from Lapsed/Reorganized LEAs					
		7651	0.00	0.00	0.0%
All Other Financing Uses		7699	0.00	0.00	0.0%
(d) TOTAL, USES			0.00	0.00	0.0%
CONTRIBUTIONS					
Contributions from Unrestricted Revenues					
		8980	0.00	0.00	0.0%
Contributions from Restricted Revenues					
		8990	0.00	0.00	0.0%
(e) TOTAL, CONTRIBUTIONS			0.00	0.00	0.0%
TOTAL, OTHER FINANCING SOURCES/USES (a + c - d + e)			4,539,639.46	0.00	-100.0%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
A. REVENUES					
1) LCFF Sources		8010-8099	0.00	0.00	0.0%
2) Federal Revenue		8100-8299	0.00	0.00	0.0%
3) Other State Revenue		8300-8599	0.00	0.00	0.0%
4) Other Local Revenue		8600-8799	1,242,292.31	1,350,821.00	8.7%
5) TOTAL, REVENUES			1,242,292.31	1,350,821.00	8.7%
B. EXPENSES (Objects 1000-7999)					
1) Instruction	1000-1999		0.00	0.00	0.0%
2) Instruction - Related Services	2000-2999		0.00	0.00	0.0%
3) Pupil Services	3000-3999		0.00	0.00	0.0%
4) Ancillary Services	4000-4999		0.00	0.00	0.0%
5) Community Services	5000-5999		0.00	0.00	0.0%
6) Enterprise	6000-6999		661,757.57	1,300,000.00	96.4%
7) General Administration	7000-7999		0.00	0.00	0.0%
8) Plant Services	8000-8999		0.00	0.00	0.0%
9) Other Outgo	9000-9999	Except 7600-7699	0.00	0.00	0.0%
10) TOTAL, EXPENSES			661,757.57	1,300,000.00	96.4%
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B10)			580,534.74	50,821.00	-91.2%
D. OTHER FINANCING SOURCES/USES					
1) Interfund Transfers					
a) Transfers In		8900-8929	4,539,639.46	0.00	-100.0%
b) Transfers Out		7600-7629	0.00	0.00	0.0%
2) Other Sources/Uses					
a) Sources		8930-8979	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			4,539,639.46	0.00	-100.0%

Description	Function Codes	Object Codes	2015-16 Unaudited Actuals	2016-17 Budget	Percent Difference
E. NET INCREASE (DECREASE) IN NET POSITION (C + D4)			5,120,174.20	50,821.00	-99.0%
F. NET POSITION					
1) Beginning Net Position					
a) As of July 1 - Unaudited		9791	0.00	5,120,174.20	New
b) Audit Adjustments		9793	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			0.00	5,120,174.20	New
d) Other Restatements		9795	0.00	0.00	0.0%
e) Adjusted Beginning Net Position (F1c + F1d)			0.00	5,120,174.20	New
2) Ending Net Position, June 30 (E + F1e)			5,120,174.20	5,170,995.20	1.0%
Components of Ending Net Position					
a) Net Investment in Capital Assets		9796	0.00	0.00	0.0%
b) Restricted Net Position		9797	5,120,174.20	5,170,995.20	1.0%
c) Unrestricted Net Position		9790	0.00	0.00	0.0%

Resource	Description	2015-16 Unaudited Actuals	2016-17 Budget
9010	Other Restricted Local	5,120,174.20	5,170,995.20
Total, Restricted Net Position		<u>5,120,174.20</u>	<u>5,170,995.20</u>

Description	2015-16 Unaudited Actuals			2016-17 Budget		
	P-2 ADA	Annual ADA	Funded ADA	Estimated P-2 ADA	Estimated Annual ADA	Estimated Funded ADA
A. DISTRICT						
1. Total District Regular ADA Includes Opportunity Classes, Home & Hospital, Special Day Class, Continuation Education, Special Education NPS/LCI and Extended Year, and Community Day School (includes Necessary Small School ADA)	10,704.78	10,674.42	10,785.00	10,462.00	10,440.00	10,678.00
2. Total Basic Aid Choice/Court Ordered Voluntary Pupil Transfer Regular ADA Includes Opportunity Classes, Home & Hospital, Special Day Class, Continuation Education, Special Education NPS/LCI and Extended Year, and Community Day School (ADA not included in Line A1 above)						
3. Total Basic Aid Open Enrollment Regular ADA Includes Opportunity Classes, Home & Hospital, Special Day Class, Continuation Education, Special Education NPS/LCI and Extended Year, and Community Day School (ADA not included in Line A1 above)						
4. Total, District Regular ADA (Sum of Lines A1 through A3)	10,704.78	10,674.42	10,785.00	10,462.00	10,440.00	10,678.00
5. District Funded County Program ADA						
a. County Community Schools						
b. Special Education-Special Day Class						
c. Special Education-NPS/LCI						
d. Special Education Extended Year						
e. Other County Operated Programs: Opportunity Schools and Full Day Opportunity Classes, Specialized Secondary Schools, Technical, Agricultural, and Natural Resource Conservation Schools						
f. County School Tuition Fund (Out of State Tuition) [EC 2000 and 46380]						
g. Total, District Funded County Program ADA (Sum of Lines A5a through A5f)	0.00	0.00	0.00	0.00	0.00	0.00
6. TOTAL DISTRICT ADA (Sum of Line A4 and Line A5g)	10,704.78	10,674.42	10,785.00	10,462.00	10,440.00	10,678.00
7. Adults in Correctional Facilities						
8. Charter School ADA (Enter Charter School ADA using Tab C. Charter School ADA)						

Description	2015-16 Unaudited Actuals			2016-17 Budget		
	P-2 ADA	Annual ADA	Funded ADA	Estimated P-2 ADA	Estimated Annual ADA	Estimated Funded ADA
B. COUNTY OFFICE OF EDUCATION						
1. County Program Alternative Education ADA						
a. County Group Home and Institution Pupils						
b. Juvenile Halls, Homes, and Camps						
c. Probation Referred, On Probation or Parole, Expelled per EC 48915(a) or (c) [EC 2574(c)(4)(A)]						
d. Total, County Program Alternative Education ADA (Sum of Lines B1a through B1c)	0.00	0.00	0.00	0.00	0.00	0.00
2. District Funded County Program ADA						
a. County Community Schools	0.15	0.15	0.15			
b. Special Education-Special Day Class						
c. Special Education-NPS/LCI						
d. Special Education Extended Year						
e. Other County Operated Programs: Opportunity Schools and Full Day Opportunity Classes, Specialized Secondary Schools, Technical, Agricultural, and Natural Resource Conservation Schools	9.59	9.00	9.59	10.00	10.00	10.00
f. County School Tuition Fund (Out of State Tuition) [EC 2000 and 46380]						
g. Total, District Funded County Program ADA (Sum of Lines B2a through B2f)	9.74	9.15	9.74	10.00	10.00	10.00
3. TOTAL COUNTY OFFICE ADA (Sum of Lines B1d and B2g)	9.74	9.15	9.74	10.00	10.00	10.00
4. Adults in Correctional Facilities						
5. County Operations Grant ADA						
6. Charter School ADA (Enter Charter School ADA using Tab C. Charter School ADA)						

Description	2015-16 Unaudited Actuals			2016-17 Budget		
	P-2 ADA	Annual ADA	Funded ADA	Estimated P-2 ADA	Estimated Annual ADA	Estimated Funded ADA
C. CHARTER SCHOOL ADA						
Authorizing LEAs reporting charter school SACS financial data in their Fund 01, 09, or 62 use this worksheet to report ADA for those charter schools Charter schools reporting SACS financial data separately from their authorizing LEAs in Fund 01 or Fund 62 use this worksheet to report their ADA						
FUND 01: Charter School ADA corresponding to SACS financial data reported in Fund 01.						
1. Total Charter School Regular ADA	5.64	5.64	5.64	2.00	2.00	2.00
2. Charter School County Program Alternative Education ADA						
a. County Group Home and Institution Pupils						
b. Juvenile Halls, Homes, and Camps						
c. Probation Referred, On Probation or Parole, Expelled per EC 48915(a) or (c) [EC 2574(c)(4)(A)]						
d. Total, Charter School County Program Alternative Education ADA (Sum of Lines C2a through C2c)	0.00	0.00	0.00	0.00	0.00	0.00
3. Charter School Funded County Program ADA						
a. County Community Schools						
b. Special Education-Special Day Class						
c. Special Education-NPS/LCI						
d. Special Education Extended Year						
e. Other County Operated Programs: Opportunity Schools and Full Day Opportunity Classes, Specialized Secondary Schools, Technical, Agricultural, and Natural Resource Conservation Schools						
f. Total, Charter School Funded County Program ADA (Sum of Lines C3a through C3e)	0.00	0.00	0.00	0.00	0.00	0.00
4. TOTAL CHARTER SCHOOL ADA (Sum of Lines C1, C2d, and C3f)	5.64	5.64	5.64	2.00	2.00	2.00
FUND 09 or 62: Charter School ADA corresponding to SACS financial data reported in Fund 09 or Fund 62.						
5. Total Charter School Regular ADA						
6. Charter School County Program Alternative Education ADA						
a. County Group Home and Institution Pupils						
b. Juvenile Halls, Homes, and Camps						
c. Probation Referred, On Probation or Parole, Expelled per EC 48915(a) or (c) [EC 2574(c)(4)(A)]						
d. Total, Charter School County Program Alternative Education ADA (Sum of Lines C6a through C6c)	0.00	0.00	0.00	0.00	0.00	0.00
7. Charter School Funded County Program ADA						
a. County Community Schools						
b. Special Education-Special Day Class						
c. Special Education-NPS/LCI						
d. Special Education Extended Year						
e. Other County Operated Programs: Opportunity Schools and Full Day Opportunity Classes, Specialized Secondary Schools, Technical, Agricultural, and Natural Resource Conservation Schools						
f. Total, Charter School Funded County Program ADA (Sum of Lines C7a through C7e)	0.00	0.00	0.00	0.00	0.00	0.00
8. TOTAL CHARTER SCHOOL ADA (Sum of Lines C5, C6d, and C7f)	0.00	0.00	0.00	0.00	0.00	0.00
9. TOTAL CHARTER SCHOOL ADA Reported in Fund 01, 09, or 62 (Sum of Lines C4 and C8)	5.64	5.64	5.64	2.00	2.00	2.00

	Unaudited Balance July 1	Audit Adjustments/ Restatements	Audited Balance July 1	Increases	Decreases	Ending Balance June 30
Governmental Activities:						
Capital assets not being depreciated:						
Land	10,128,802.00		10,128,802.00			10,128,802.00
Work in Progress	158,618,077.00	(4,294,537.00)	154,323,540.00	26,836,995.00	422,154.00	180,738,381.00
Total capital assets not being depreciated	168,746,879.00	(4,294,537.00)	164,452,342.00	26,836,995.00	422,154.00	190,867,183.00
Capital assets being depreciated:						
Land Improvements	42,924,390.00	(25,558,400.00)	17,365,990.00			17,365,990.00
Buildings	238,498,932.00	25,558,400.00	264,057,332.00	422,154.00		264,479,486.00
Equipment	24,992,935.00		24,992,935.00	1,133,546.00		26,126,481.00
Total capital assets being depreciated	306,416,257.00	0.00	306,416,257.00	1,555,700.00	0.00	307,971,957.00
Accumulated Depreciation for:						
Land Improvements	(13,044,009.00)	1,277,920.00	(11,766,089.00)	(411,708.00)		(12,177,797.00)
Buildings	(83,608,695.00)	(1,277,920.00)	(84,886,615.00)	(7,526,136.00)		(92,412,751.00)
Equipment	(13,149,357.00)		(13,149,357.00)	(1,415,116.00)		(14,564,473.00)
Total accumulated depreciation	(109,802,061.00)	0.00	(109,802,061.00)	(9,352,960.00)	0.00	(119,155,021.00)
Total capital assets being depreciated, net	196,614,196.00	0.00	196,614,196.00	(7,797,260.00)	0.00	188,816,936.00
Governmental activity capital assets, net	365,361,075.00	(4,294,537.00)	361,066,538.00	19,039,735.00	422,154.00	379,684,119.00
Business-Type Activities:						
Capital assets not being depreciated:						
Land			0.00			0.00
Work in Progress			0.00			0.00
Total capital assets not being depreciated	0.00	0.00	0.00	0.00	0.00	0.00
Capital assets being depreciated:						
Land Improvements			0.00			0.00
Buildings			0.00			0.00
Equipment			0.00			0.00
Total capital assets being depreciated	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated Depreciation for:						
Land Improvements			0.00			0.00
Buildings			0.00			0.00
Equipment			0.00			0.00
Total accumulated depreciation	0.00	0.00	0.00	0.00	0.00	0.00
Total capital assets being depreciated, net	0.00	0.00	0.00	0.00	0.00	0.00
Business-type activity capital assets, net	0.00	0.00	0.00	0.00	0.00	0.00

2015-16 Unaudited Actuals
FEDERAL GRANT AWARDS,
REVENUES, AND EXPENDITURES - ALL FUNDS
SCHEDULE FOR CATEGORICALS SUBJECT TO DEFERRAL OF UNEARNED REVENUES

FEDERAL PROGRAM NAME	TITLE I	TITLE I-PROGRAM IMPROVEMENT	CARL PERKINS	TITLE II-TEACHERS QUALITY	TITLE III-IMMIGRANT	TITLE III-LEP	ABE ESL CITIZENSHIP
FEDERAL CATALOG NUMBER	84.01	84.01	84.048A	84.367	84.365	84.365A	84.002
RESOURCE CODE	3010	3185	3550	4035	4201	4203	3905
REVENUE OBJECT	8290	8290	8290	8290	8290	8290	8290
LOCAL DESCRIPTION (if any)							
AWARD							
1. Prior Year Carryover	424,270.55	26,415.54		278,976.15	11,694.67	68,297.99	
2. a. Current Year Award	1,021,264.00		60,698.00	335,420.00	29,860.00	98,512.00	19,060.00
b. Transferability (NCLB)							
c. Other Adjustments							
d. Adj Curr Yr Award (sum lines 2a, 2b, & 2c)	1,021,264.00	0.00	60,698.00	335,420.00	29,860.00	98,512.00	19,060.00
3. Required Matching Funds/Other							
4. Total Available Award (sum lines 1, 2d, & 3)	1,445,534.55	26,415.54	60,698.00	614,396.15	41,554.67	166,809.99	19,060.00
REVENUES							
5. Unearned Revenue Deferred from Prior Year				38,353.43	2,087.67	8,548.99	
6. Cash Received in Current Year	1,029,629.55	24,964.30	0.00	341,790.00	841.00	75,605.00	14,295.00
7. Contributed Matching Funds							
8. Total Available (sum lines 5, 6, & 7)	1,029,629.55	24,964.30	0.00	380,143.43	2,928.67	84,153.99	14,295.00
EXPENDITURES							
9. Donor-Authorized Expenditures	1,191,805.08	20,403.52	51,830.79	468,206.31	14,896.23	93,755.26	19,060.00
10. Non Donor-Authorized Expenditures							
11. Total Expenditures (lines 9 & 10)	1,191,805.08	20,403.52	51,830.79	468,206.31	14,896.23	93,755.26	19,060.00
12. Amounts Included in Line 6 above for Prior Year Adjustments							
13. Calculation of Unearned Revenue or A/P, & A/R amounts (line 8 minus line 9 plus line 12)	(162,175.53)	4,560.78	(51,830.79)	(88,062.88)	(11,967.56)	(9,601.27)	(4,765.00)
a. Unearned Revenue		4,560.78					
b. Accounts Payable							
c. Accounts Receivable	162,175.53		51,830.79	88,062.88	11,967.56	9,601.27	4,765.00
14. Unused Grant Award Calculation (line 4 minus line 9)	253,729.47	6,012.02	8,867.21	146,189.84	26,658.44	73,054.73	0.00
15. If Carryover is allowed, enter line 14 amount here							
16. Reconciliation of Revenue (line 5 plus line 6 minus line 13a minus line 13b plus line 13c)	1,191,805.08	20,403.52	51,830.79	468,206.31	14,896.23	93,755.26	19,060.00

2015-16 Unaudited Actuals
FEDERAL GRANT AWARDS,
REVENUES, AND EXPENDITURES - ALL FUNDS
SCHEDULE FOR CATEGORICALS SUBJECT TO DEFERRAL OF UNEARNED REVENUES

FEDERAL PROGRAM NAME	SECTION 0231: ABE, GED	ENGLISH LITERACY CIVICS	SPEC ED IDEA BASIC GRANT	SPEC ED PRIVATELY PLACED ISP	SPEC ED IDEA PRESCHOOL	SPEC ED IDEA PRESCHOOL	SPEC ED PART C EARLY EDUC
FEDERAL CATALOG NUMBER	84.002	84.002	84.027A	84.027	84.173A	84.027A	
RESOURCE CODE	3913	3926	3310	3311	3315	3320	3385
REVENUE OBJECT	8290	8290	8181	8181	8182	8182	8182
LOCAL DESCRIPTION (if any)							
AWARD							
1. Prior Year Carryover							
2. a. Current Year Award	12,087.00	15,779.00	1,911,716.71	182,495.70	60,520.00	110,920.00	54,282.00
b. Transferability (NCLB)							
c. Other Adjustments							
d. Adj Curr Yr Award (sum lines 2a, 2b, & 2c)	12,087.00	15,779.00	1,911,716.71	182,495.70	60,520.00	110,920.00	54,282.00
3. Required Matching Funds/Other			3,203,350.64	0.00	47,766.60	1,214.23	0.00
4. Total Available Award (sum lines 1, 2d, & 3)	12,087.00	15,779.00	5,115,067.35	182,495.70	108,286.60	112,134.23	54,282.00
REVENUES							
5. Unearned Revenue Deferred from Prior Year							
6. Cash Received in Current Year	5,575.00	9,367.00	1,009,478.71	182,495.70	0.00	0.00	54,282.00
7. Contributed Matching Funds			3,203,350.64	0.00	47,766.60	1,214.23	0.00
8. Total Available (sum lines 5, 6, & 7)	5,575.00	9,367.00	4,212,829.35	182,495.70	47,766.60	1,214.23	54,282.00
EXPENDITURES							
9. Donor-Authorized Expenditures	12,087.00	15,779.00	5,115,067.35	182,495.70	108,286.60	112,134.23	54,282.00
10. Non Donor-Authorized Expenditures							
11. Total Expenditures (lines 9 & 10)	12,087.00	15,779.00	5,115,067.35	182,495.70	108,286.60	112,134.23	54,282.00
12. Amounts Included in Line 6 above for Prior Year Adjustments							
13. Calculation of Unearned Revenue or A/P, & A/R amounts (line 8 minus line 9 plus line 12)	(6,512.00)	(6,412.00)	(902,238.00)	0.00	(60,520.00)	(110,920.00)	0.00
a. Unearned Revenue							
b. Accounts Payable							
c. Accounts Receivable	6,512.00		902,238.00		60,520.00	110,920.00	
14. Unused Grant Award Calculation (line 4 minus line 9)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
15. If Carryover is allowed, enter line 14 amount here							
16. Reconciliation of Revenue (line 5 plus line 6 minus line 13a minus line 13b plus line 13c)	12,087.00	9,367.00	1,911,716.71	182,495.70	60,520.00	110,920.00	54,282.00

2015-16 Unaudited Actuals
FEDERAL GRANT AWARDS,
REVENUES, AND EXPENDITURES - ALL FUNDS
SCHEDULE FOR CATEGORICALS SUBJECT TO DEFERRAL OF UNEARNED REVENUES

FEDERAL PROGRAM NAME	HEAD START BASIC	HEAD START TECHNICAL ASSISTANCE	TOTAL
FEDERAL CATALOG NUMBER	10016	10016	
RESOURCE CODE	5210	5210	
REVENUE OBJECT	8285	8285	
LOCAL DESCRIPTION (if any)			
AWARD			
1. Prior Year Carryover	0.00	0.00	809,654.90
2. a. Current Year Award	1,482,449.00	4,800.00	5,399,863.41
b. Transferability (NCLB)			0.00
c. Other Adjustments			0.00
d. Adj Curr Yr Award (sum lines 2a, 2b, & 2c)	1,482,449.00	4,800.00	5,399,863.41
3. Required Matching Funds/Other			3,252,331.47
4. Total Available Award (sum lines 1, 2d, & 3)	1,482,449.00	4,800.00	9,461,849.78
REVENUES			
5. Unearned Revenue Deferred from Prior Year			48,990.09
6. Cash Received in Current Year	1,293,583.91	1,380.00	4,043,287.17
7. Contributed Matching Funds			3,252,331.47
8. Total Available (sum lines 5, 6, & 7)	1,293,583.91	1,380.00	7,344,608.73
EXPENDITURES			
9. Donor-Authorized Expenditures	1,482,449.00	4,800.00	8,947,338.07
10. Non Donor-Authorized Expenditures			0.00
11. Total Expenditures (lines 9 & 10)	1,482,449.00	4,800.00	8,947,338.07
12. Amounts Included in Line 6 above for Prior Year Adjustments			0.00
13. Calculation of Unearned Revenue or A/P, & A/R amounts (line 8 minus line 9 plus line 12)	(188,865.09)	(3,420.00)	(1,602,729.34)
a. Unearned Revenue			4,560.78
b. Accounts Payable			0.00
c. Accounts Receivable	188,865.09	3,420.00	1,600,878.12
14. Unused Grant Award Calculation (line 4 minus line 9)	0.00	0.00	514,511.71
15. If Carryover is allowed, enter line 14 amount here			0.00
16. Reconciliation of Revenue (line 5 plus line 6 minus line 13a minus line 13b plus line 13c)	1,482,449.00	4,800.00	5,688,594.60

2015-16 Unaudited Actuals
STATE GRANT AWARDS,
REVENUES, AND EXPENDITURES - ALL FUNDS
SCHEDULE FOR CATEGORICALS SUBJECT TO DEFERRAL OF UNEARNED REVENUES

STATE PROGRAM NAME	CHILD DEVELOPMENT CSPP	SPECIAL ED WORKABILITY	TOTAL
RESOURCE CODE	6105	6520	
REVENUE OBJECT	8590	8590	
LOCAL DESCRIPTION (if any)			
AWARD			
1. Prior Year Carryover	0.00	0.00	0.00
2. a. Current Year Award	3,723,211.60	62,231.00	3,785,442.60
b. Other Adjustments			0.00
c. Adj Curr Yr Award (sum lines 2a & 2b)	3,723,211.60	62,231.00	3,785,442.60
3. Required Matching Funds/Other	552,625.22		552,625.22
4. Total Available Award (sum lines 1, 2c, & 3)	4,275,836.82	62,231.00	4,338,067.82
REVENUES			
5. Unearned Revenue Deferred from Prior Year			0.00
6. Cash Received in Current Year	4,275,836.82	40,588.00	4,316,424.82
7. Contributed Matching Funds			0.00
8. Total Available (sum lines 5, 6, & 7)	4,275,836.82	40,588.00	4,316,424.82
EXPENDITURES			
9. Donor-Authorized Expenditures	4,275,836.82	62,231.00	4,338,067.82
10. Non Donor-Authorized Expenditures			0.00
11. Total Expenditures (lines 9 & 10)	4,275,836.82	62,231.00	4,338,067.82
12. Amounts Included in Line 6 above for Prior Year Adjustments			0.00
13. Calculation of Unearned Revenue or A/P, & A/R amounts (line 8 minus line 9 plus line 12)	0.00	(21,643.00)	(21,643.00)
a. Unearned Revenue			0.00
b. Accounts Payable			0.00
c. Accounts Receivable		21,643.00	21,643.00
14. Unused Grant Award Calculation (line 4 minus line 9)	0.00	0.00	0.00
15. If Carryover is allowed, enter line 14 amount here			0.00
16. Reconciliation of Revenue (line 5 plus line 6 minus line 13a minus line 13b plus line 13c)	4,275,836.82	62,231.00	4,338,067.82

2015-16 Unaudited Actuals
LOCAL GRANT AWARDS,
REVENUES, AND EXPENDITURES - ALL FUNDS
SCHEDULE FOR CATEGORICALS SUBJECT TO DEFERRAL OF UNEARNED REVENUES

LOCAL PROGRAM NAME		TOTAL
RESOURCE CODE		
REVENUE OBJECT		
LOCAL DESCRIPTION (if any)		
AWARD		
1. Prior Year Carryover		0.00
2. a. Current Year Award		0.00
b. Other Adjustments		0.00
c. Adj Curr Yr Award (sum lines 2a & 2b)	0.00	0.00
3. Required Matching Funds/Other		0.00
4. Total Available Award (sum lines 1, 2c, & 3)	0.00	0.00
REVENUES		
5. Unearned Revenue Deferred from Prior Year		0.00
6. Cash Received in Current Year		0.00
7. Contributed Matching Funds		0.00
8. Total Available (sum lines 5, 6, & 7)	0.00	0.00
EXPENDITURES		
9. Donor-Authorized Expenditures		0.00
10. Non Donor-Authorized Expenditures		0.00
11. Total Expenditures (lines 9 & 10)	0.00	0.00
12. Amounts Included in Line 6 above for Prior Year Adjustments		0.00
13. Calculation of Unearned Revenue or A/P, & A/R amounts (line 8 minus line 9 plus line 12)	0.00	0.00
a. Unearned Revenue		0.00
b. Accounts Payable		0.00
c. Accounts Receivable		0.00
14. Unused Grant Award Calculation (line 4 minus line 9)	0.00	0.00
15. If Carryover is allowed, enter line 14 amount here		0.00
16. Reconciliation of Revenue (line 5 plus line 6 minus line 13a minus line 13b plus line 13c)	0.00	0.00

2015-16 Unaudited Actuals
FEDERAL AWARDS,
REVENUES, AND EXPENDITURES - ALL FUNDS
SCHEDULE FOR CATEGORICALS SUBJECT TO RESTRICTED ENDING BALANCES

FEDERAL PROGRAM NAME	CHILD NUTRITION FOOD PROGRAM	MEDI-CAL BILLING	CHILD NUTRITION FUND	TOTAL
FEDERAL CATALOG NUMBER	13393			
RESOURCE CODE	5320	5640	5310	
REVENUE OBJECT	8220/8520	8290	8220/8520	
LOCAL DESCRIPTION (if any)				
AWARD				
1. Prior Year Restricted Ending Balance	46,024.72	658,072.87		704,097.59
2. a. Current Year Award	245,113.14	319,701.63	1,310,832.17	1,875,646.94
b. Other Adjustments				0.00
c. Adj Curr Yr Award (sum lines 2a & 2b)	245,113.14	319,701.63	1,310,832.17	1,875,646.94
3. Required Matching Funds/Other				0.00
4. Total Available Award (sum lines 1, 2c, & 3)	291,137.86	977,774.50	1,310,832.17	2,579,744.53
REVENUES				
5. Cash Received in Current Year	228,213.06	319,701.63	1,269,766.92	1,817,681.61
6. Amounts Included in Line 5 for Prior Year Adjustments				0.00
7. a. Accounts Receivable (line 2c minus lines 5 & 6)	16,900.08	0.00	41,065.25	57,965.33
b. Noncurrent Accounts Receivable				0.00
c. Current Accounts Receivable (line 7a minus line 7b)	16,900.08	0.00	41,065.25	57,965.33
8. Contributed Matching Funds				0.00
9. Total Available (sum lines 5, 7c, & 8)	245,113.14	319,701.63	1,310,832.17	1,875,646.94
EXPENDITURES				
10. Donor-Authorized Expenditures	230,514.60	644,468.55	1,310,832.17	2,185,815.32
11. Non Donor-Authorized Expenditures				0.00
12. Total Expenditures (line 10 plus line 11)	230,514.60	644,468.55	1,310,832.17	2,185,815.32
RESTRICTED ENDING BALANCE				
13. Current Year (line 4 minus line 10)	60,623.26	333,305.95	0.00	393,929.21

2015-16 Unaudited Actuals
STATE AWARDS,
REVENUES, AND EXPENDITURES - ALL FUNDS
SCHEDULE FOR CATEGORICALS SUBJECT TO RESTRICTED ENDING BALANCES

STATE PROGRAM NAME	EDUCATOR EFFECTIVENESS	LOTTERY INSTRUCTIONAL MATERIALS	COMMON CORE	CAREER TECHNICAL EDUCATION INC	ADULT ED GRANT	AB 86 ADULT ED CONSORTIUM PLANNING GRANT	ADULT ED GRANT
RESOURCE CODE	6264	6300	7405	6387	6391	7810	6392
REVENUE OBJECT	8590	8560	8590	8590	8590	8590	8590
LOCAL DESCRIPTION (if any)							
AWARD							
1. Prior Year Restricted Ending Balance	0.00	823,398.63	80,050.71	0.00	0.00	94,931.09	
2. a. Current Year Award	958,618.00	539,388.85	0.00	716,807.00	679,147.00	0.00	61,855.00
b. Other Adjustments							
c. Adj Curr Yr Award (sum lines 2a & 2b)	958,618.00	539,388.85	0.00	716,807.00	679,147.00	0.00	61,855.00
3. Required Matching Funds/Other							
4. Total Available Award (sum lines 1, 2c, & 3)	958,618.00	1,362,787.48	80,050.71	716,807.00	679,147.00	94,931.09	61,855.00
REVENUES							
5. Cash Received in Current Year	958,618.00	32,526.93	0.00	358,403.50	679,147.00	10,305.00	61,855.00
6. Amounts Included in Line 5 for Prior Year Adjustments							
7. a. Accounts Receivable (line 2c minus lines 5 & 6)	0.00	506,861.92	0.00	358,403.50	0.00	(10,305.00)	0.00
b. Noncurrent Accounts Receivable							
c. Current Accounts Receivable (line 7a minus line 7b)	0.00	506,861.92	0.00	358,403.50	0.00	(10,305.00)	0.00
8. Contributed Matching Funds							
9. Total Available (sum lines 5, 7c, & 8)	958,618.00	539,388.85	0.00	716,807.00	679,147.00	0.00	61,855.00
EXPENDITURES							
10. Donor-Authorized Expenditures	120,772.13	195,219.01	80,050.71	358,403.50	386,628.80	94,931.09	
11. Non Donor-Authorized Expenditures							
12. Total Expenditures (line 10 plus line 11)	120,772.13	195,219.01	80,050.71	358,403.50	386,628.80	94,931.09	0.00
RESTRICTED ENDING BALANCE							
13. Current Year (line 4 minus line 10)	837,845.87	1,167,568.47	0.00	358,403.50	292,518.20	0.00	61,855.00

2015-16 Unaudited Actuals
STATE AWARDS,
REVENUES, AND EXPENDITURES - ALL FUNDS
SCHEDULE FOR CATEGORICALS SUBJECT TO RESTRICTED ENDING BALANCES

STATE PROGRAM NAME	SPECIAL EDUCATION	SOEC ED STATE LOCAL ASSIST	SPEC ED MENTAL HEALTH SVCS	CENTER BASED RESERVE ACCOUNT	TOTAL
RESOURCE CODE	6500	6501	6512	6130	
REVENUE OBJECT	8791	8590	8590	8990	
LOCAL DESCRIPTION (if any)					
AWARD					
1. Prior Year Restricted Ending Balance	0.00	0.00	0.00	21,154.01	1,019,534.44
2. a. Current Year Award	5,552,470.00	3,873.00	275,677.00		8,787,835.85
b. Other Adjustments					0.00
c. Adj Curr Yr Award (sum lines 2a & 2b)	5,552,470.00	3,873.00	275,677.00	0.00	8,787,835.85
3. Required Matching Funds/Other	14,215,213.79	0.00	946,709.81	162.83	15,162,086.43
4. Total Available Award (sum lines 1, 2c, & 3)	19,767,683.79	3,873.00	1,222,386.81	21,316.84	24,969,456.72
REVENUES					
5. Cash Received in Current Year	5,039,325.00	3,873.00	0.00		7,144,053.43
6. Amounts Included in Line 5 for Prior Year Adjustments					0.00
7. a. Accounts Receivable (line 2c minus lines 5 & 6)	513,145.00	0.00	275,677.00	0.00	1,643,782.42
b. Noncurrent Accounts Receivable					0.00
c. Current Accounts Receivable (line 7a minus line 7b)	513,145.00	0.00	275,677.00	0.00	1,643,782.42
8. Contributed Matching Funds					0.00
9. Total Available (sum lines 5, 7c, & 8)	5,552,470.00	3,873.00	275,677.00	0.00	8,787,835.85
EXPENDITURES					
10. Donor-Authorized Expenditures	19,767,683.79	3,873.00	1,222,386.81		22,229,948.84
11. Non Donor-Authorized Expenditures					0.00
12. Total Expenditures (line 10 plus line 11)	19,767,683.79	3,873.00	1,222,386.81	0.00	22,229,948.84
RESTRICTED ENDING BALANCE					
13. Current Year (line 4 minus line 10)	0.00	0.00	0.00	21,316.84	2,739,507.88

2015-16 Unaudited Actuals
LOCAL AWARDS,
REVENUES, AND EXPENDITURES - ALL FUNDS
SCHEDULE FOR CATEGORICALS SUBJECT TO RESTRICTED ENDING BALANCES

LOCAL PROGRAM NAME	GIFTS	LOS ANGELES UNIVERSAL PRESCHOOL	QUALITY RATING IMPROVEMENT SYSTEM	TOTAL
RESOURCE CODE	9012	9415	9416	
REVENUE OBJECT	8699	8699	8699	
LOCAL DESCRIPTION (if any)				
AWARD				
1. Prior Year Restricted Ending Balance	862.43	153.18	0.00	1,015.61
2. a. Current Year Award	1,377.94	468,986.00	196,000.00	666,363.94
b. Other Adjustments				0.00
c. Adj Curr Yr Award (sum lines 2a & 2b)	1,377.94	468,986.00	196,000.00	666,363.94
3. Required Matching Funds/Other		18,873.77		18,873.77
4. Total Available Award (sum lines 1, 2c, & 3)	2,240.37	488,012.95	196,000.00	686,253.32
REVENUES				
5. Cash Received in Current Year	1,377.94	468,986.00	187,600.00	657,963.94
6. Amounts Included in Line 5 for Prior Year Adjustments				0.00
7. a. Accounts Receivable (line 2c minus lines 5 & 6)	0.00	0.00	8,400.00	8,400.00
b. Noncurrent Accounts Receivable				0.00
c. Current Accounts Receivable (line 7a minus line 7b)	0.00	0.00	8,400.00	8,400.00
8. Contributed Matching Funds				0.00
9. Total Available (sum lines 5, 7c, & 8)	1,377.94	468,986.00	196,000.00	666,363.94
EXPENDITURES				
10. Donor-Authorized Expenditures	0.00	488,012.95	187,600.00	675,612.95
11. Non Donor-Authorized Expenditures				0.00
12. Total Expenditures (line 10 plus line 11)	0.00	488,012.95	187,600.00	675,612.95
RESTRICTED ENDING BALANCE				
13. Current Year (line 4 minus line 10)	2,240.37	0.00	8,400.00	10,640.37

Current Expense Formula/Minimum Classroom Compensation

PART I - CURRENT EXPENSE FORMULA	Total Expense for Year (1)	EDP No.	Reductions (See Note 1) (2)	EDP No.	Current Expense of Education (Col 1 - Col 2) (3)	EDP No.	Reductions (Extracted) (See Note 2) (4a)	Reductions (Overrides)* (See Note 2) (4b)	EDP No.	Current Expense-Part II (Col 3 - Col 4) (5)	EDP No.
1000 - Certificated Salaries	62,368,307.95	301	0.00	303	62,368,307.95	305	1,228,792.41		307	61,139,515.54	309
2000 - Classified Salaries	27,451,601.30	311	1,436,504.57	313	26,015,096.73	315	1,156,490.60		317	24,858,606.13	319
3000 - Employee Benefits	34,635,969.39	321	1,571,850.38	323	33,064,119.01	325	968,877.14		327	32,095,241.87	329
4000 - Books, Supplies Equip Replace. (6500)	4,555,048.71	331	148,840.87	333	4,406,207.84	335	379,255.74		337	4,026,952.10	339
5000 - Services... & 7300 - Indirect Costs	15,031,018.33	341	30,441.88	343	15,000,576.45	345	2,879,110.37		347	12,121,466.08	349
TOTAL					140,854,307.98	365			TOTAL	134,241,781.72	369

Note 1 - In Column 2, report expenditures for the following programs: Nonagency (Goals 7100-7199), Community Services (Goal 8100), Food Services (Function 3700), Fringe Benefits for Retired Persons (Objects 3701-3702), and Facilities Acquisition & Construction (Function 8500).

Note 2 - In Column 4, report expenditures for: Transportation (Function 3600), Lottery Expenditures (Resource 1100), Special Education Students in Nonpublic Schools (Function 1180), and other federal or state categorical aid in which funds were granted for expenditures in a program not incurring any teacher salary expenditures or requiring disbursement of the funds without regard to the requirements of EC Section 41372.

* If an amount (even zero) is entered in any row of Column 4b or in Line 13b, the form uses only the values in Column 4b and Line 13b rather than the values in Column 4a and Line 13a.

PART II: MINIMUM CLASSROOM COMPENSATION (Instruction, Functions 1000-1999)		Object	EDP No.
1. Teacher Salaries as Per EC 41011		1100	375
2. Salaries of Instructional Aides Per EC 41011		2100	380
3. STRS		3101 & 3102	382
4. PERS		3201 & 3202	383
5. OASDI - Regular, Medicare and Alternative		3301 & 3302	384
6. Health & Welfare Benefits (EC 41372) (Include Health, Dental, Vision, Pharmaceutical, and Annuity Plans)		3401 & 3402	385
7. Unemployment Insurance		3501 & 3502	390
8. Workers' Compensation Insurance		3601 & 3602	392
9. OPEB, Active Employees (EC 41372)		3751 & 3752	396
10. Other Benefits (EC 22310)		3901 & 3902	393
11. SUBTOTAL Salaries and Benefits (Sum Lines 1 - 10)			395
12. Less: Teacher and Instructional Aide Salaries and Benefits deducted in Column 2			
13a. Less: Teacher and Instructional Aide Salaries and Benefits (other than Lottery) deducted in Column 4a (Extracted)			396
b. Less: Teacher and Instructional Aide Salaries and Benefits (other than Lottery) deducted in Column 4b (Overrides)*			396
14. TOTAL SALARIES AND BENEFITS			397
15. Percent of Current Cost of Education Expended for Classroom Compensation (EDP 397 divided by EDP 369) Line 15 must equal or exceed 60% for elementary, 55% for unified and 50% for high school districts to avoid penalty under provisions of EC 41372			57.66%
16. District is exempt from EC 41372 because it meets the provisions of EC 41374. (If exempt, enter 'X')			

PART III: DEFICIENCY AMOUNT	
A deficiency amount (Line 5) is only applicable to districts not meeting the minimum classroom compensation percentage required under EC 41372 and not exempt under the provisions of EC 41374.	
1. Minimum percentage required (60% elementary, 55% unified, 50% high)	55.00%
2. Percentage spent by this district (Part II, Line 15)	57.66%
3. Percentage below the minimum (Part III, Line 1 minus Line 2)	0.00%
4. District's Current Expense of Education after reductions in columns 4a or 4b (Part I, EDP 369)	134,241,781.72
5. Deficiency Amount (Part III, Line 3 times Line 4)	0.00

PART IV: Explanation for adjustments entered in Part I, Column 4b (required)	

	Unaudited Balance July 1	Audit Adjustments/ Restatements	Audited Balance July 1	Increases	Decreases	Ending Balance June 30	Amounts Due Within One Year
Governmental Activities:							
General Obligation Bonds Payable	347,344,633.00	(11,067,697.00)	336,276,936.00	60,000,000.00	31,601,051.00	364,675,885.00	38,769,959.00
State School Building Loans Payable			0.00			0.00	
Certificates of Participation Payable	15,782,731.00	407,138.00	16,189,869.00		1,570,000.00	14,619,869.00	1,869,282.00
Capital Leases Payable	179,020.95		179,020.95		49,106.14	129,914.81	53,389.00
Lease Revenue Bonds Payable			0.00			0.00	
Other General Long-Term Debt			0.00			0.00	
Net Pension Liability			0.00			0.00	
Net OPEB Obligation	10,341,401.07	521.00	10,341,922.07	4,112,056.00	1,024,754.00	13,429,224.07	1,040,000.00
Compensated Absences Payable	903,413.00		903,413.00	489,026.00		1,392,439.00	348,110.00
Governmental activities long-term liabilities	374,551,199.02	(10,660,038.00)	363,891,161.02	64,601,082.00	34,244,911.14	394,247,331.88	42,080,740.00
Business-Type Activities:							
General Obligation Bonds Payable			0.00			0.00	
State School Building Loans Payable			0.00			0.00	
Certificates of Participation Payable			0.00			0.00	
Capital Leases Payable			0.00			0.00	
Lease Revenue Bonds Payable			0.00			0.00	
Other General Long-Term Debt			0.00			0.00	
Net Pension Liability			0.00			0.00	
Net OPEB Obligation			0.00			0.00	
Compensated Absences Payable			0.00			0.00	
Business-type activities long-term liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00

	2015-16 Calculations			2016-17 Calculations		
	Extracted Data	Adjustments*	Entered Data/Totals	Extracted Data	Adjustments*	Entered Data/Totals
A. PRIOR YEAR DATA (2014-15 Actual Appropriations Limit and Gann ADA are from district's prior year Gann data reported to the CDE)	2014-15 Actual			2015-16 Actual		
1. FINAL PRIOR YEAR APPROPRIATIONS LIMIT (Preload/Line D11, PY column)	86,699,967.89		86,699,967.89			89,372,822.13
2. PRIOR YEAR GANN ADA (Preload/Line B3, PY column)	10,787.15		10,787.15			10,710.42
ADJUSTMENTS TO PRIOR YEAR LIMIT	Adjustments to 2014-15			Adjustments to 2015-16		
3. District Lapses, Reorganizations and Other Transfers						
4. Temporary Voter Approved Increases						
5. Less: Lapses of Voter Approved Increases						
6. TOTAL ADJUSTMENTS TO PRIOR YEAR LIMIT (Lines A3 plus A4 minus A5)		0.00				0.00
7. ADJUSTMENTS TO PRIOR YEAR ADA (Only for district lapses, reorganizations and other transfers, and only if adjustments to the appropriations limit are entered in Line A3 above)						
B. CURRENT YEAR GANN ADA (2015-16 data should tie to Principal Apportionment Software Attendance reports and include ADA for charter schools reporting with the district)	2015-16 P2 Report			2016-17 P2 Estimate		
1. Total K-12 ADA (Form A, Line A6)	10,704.78		10,704.78	10,462.00		10,462.00
2. Total Charter Schools ADA (Form A, Line C9)	5.64		5.64	2.00		2.00
3. TOTAL CURRENT YEAR P2 ADA (Line B1 plus B2)			10,710.42			10,464.00
C. LOCAL PROCEEDS OF TAXES/STATE AID RECEIVED	2015-16 Actual			2016-17 Budget		
TAXES AND SUBVENTIONS (Funds 01, 09, and 62)						
1. Homeowners' Exemption (Object 8021)	394,814.68		394,814.68	379,923.00		379,923.00
2. Timber Yield Tax (Object 8022)	0.00		0.00	0.00		0.00
3. Other Subventions/In-Lieu Taxes (Object 8029)	393,354.74		393,354.74	393,354.00		393,354.00
4. Secured Roll Taxes (Object 8041)	55,786,306.78		55,786,306.78	57,626,281.00		57,626,281.00
5. Unsecured Roll Taxes (Object 8042)	2,324,104.11		2,324,104.11	2,324,448.00		2,324,448.00
6. Prior Years' Taxes (Object 8043)	1,168,278.48		1,168,278.48	1,797,364.00		1,797,364.00
7. Supplemental Taxes (Object 8044)	(75,745.37)		(75,745.37)	0.00		0.00
8. Ed. Rev. Augmentation Fund (ERAF) (Object 8045)	2,479,368.74		2,479,368.74	731,011.00		731,011.00
9. Penalties and Int. from Delinquent Taxes (Object 8048)	112,603.85		112,603.85	0.00		0.00
10. Other In-Lieu Taxes (Object 8082)	0.00		0.00	0.00		0.00
11. Comm. Redevelopment Funds (objects 8047 & 8625)	11,082,686.64		11,082,686.64	10,225,493.00		10,225,493.00
12. Parcel Taxes (Object 8621)	11,301,682.34		11,301,682.34	11,563,041.00		11,563,041.00
13. Other Non-Ad Valorem Taxes (Object 8622) (Taxes only)	0.00		0.00	0.00		0.00
14. Penalties and Int. from Delinquent Non-LCFF Taxes (Object 8629) (Only those for the above taxes)	58,760.21		58,760.21	60,000.00		60,000.00
15. Transfers to Charter Schools in Lieu of Property Taxes (Object 8096)	(110,359.88)		(110,359.88)	(84,000.00)		(84,000.00)
16. TOTAL TAXES AND SUBVENTIONS (Lines C1 through C15)	84,915,855.32	0.00	84,915,855.32	85,016,915.00	0.00	85,016,915.00
OTHER LOCAL REVENUES (Funds 01, 09, and 62)						
17. To General Fund from Bond Interest and Redemption Fund (Excess debt service taxes) (Object 8914)	0.00		0.00	0.00		0.00
18. TOTAL LOCAL PROCEEDS OF TAXES (Lines C16 plus C17)	84,915,855.32	0.00	84,915,855.32	85,016,915.00	0.00	85,016,915.00

	2015-16 Calculations			2016-17 Calculations		
	Extracted Data	Adjustments*	Entered Data/Totals	Extracted Data	Adjustments*	Entered Data/Totals
EXCLUDED APPROPRIATIONS						
19. Medicare (Enter federally mandated amounts only from objs. 3301 & 3302; do not include negotiated amounts)			1,273,072.25			1,372,389.00
OTHER EXCLUSIONS						
20. Americans with Disabilities Act						
21. Unreimbursed Court Mandated Desegregation Costs						
22. Other Unfunded Court-ordered or Federal Mandates						
23. TOTAL EXCLUSIONS (Lines C19 through C22)			1,273,072.25			1,372,389.00
STATE AID RECEIVED (Funds 01, 09, and 62)						
24. LCFF - CY (objects 8011 and 8012)	10,745,321.00		10,745,321.00	14,101,478.00		14,101,478.00
25. LCFF/Revenue Limit State Aid - Prior Years (Object 8019)	0.00		0.00	0.00		0.00
26. TOTAL STATE AID RECEIVED (Lines C24 plus C25)	10,745,321.00	0.00	10,745,321.00	14,101,478.00	0.00	14,101,478.00
DATA FOR INTEREST CALCULATION						
27. Total Revenues (Funds 01, 09 & 62; objects 8000-8799)	147,277,467.58		147,277,467.58	139,832,095.00		139,832,095.00
28. Total Interest and Return on Investments (Funds 01, 09, and 62; objects 8660 and 8662)	310,545.71		310,545.71	130,000.00		130,000.00
	2015-16 Actual			2016-17 Budget		
APPROPRIATIONS LIMIT CALCULATIONS						
D. PRELIMINARY APPROPRIATIONS LIMIT						
1. Revised Prior Year Program Limit (Lines A1 plus A6)			86,699,967.89			89,372,822.13
2. Inflation Adjustment			1.0382			1.0537
3. Program Population Adjustment (Lines B3 divided by [A2 plus A7]) (Round to four decimal places)			0.9929			0.9770
4. PRELIMINARY APPROPRIATIONS LIMIT (Lines D1 times D2 times D3)			89,372,822.13			92,006,183.40
APPROPRIATIONS SUBJECT TO THE LIMIT						
5. Local Revenues Excluding Interest (Line C18)			84,915,855.32			85,016,915.00
6. Preliminary State Aid Calculation						
a. Minimum State Aid in Local Limit (Greater of \$120 times Line B3 or \$2,400; but not greater than Line C26 or less than zero)			1,285,250.40			1,255,680.00
b. Maximum State Aid in Local Limit (Lesser of Line C26 or Lines D4 minus D5 plus C23; but not less than zero)			5,730,039.06			8,361,657.40
c. Preliminary State Aid in Local Limit (Greater of Lines D6a or D6b)			5,730,039.06			8,361,657.40
7. Local Revenues in Proceeds of Taxes						
a. Interest Counting in Local Limit (Line C28 divided by [Lines C27 minus C28] times [Lines D5 plus D6c])			191,537.61			86,893.57
b. Total Local Proceeds of Taxes (Lines D5 plus D7a)			85,107,392.93			85,103,808.57
8. State Aid in Proceeds of Taxes (Greater of Line D6a, or Lines D4 minus D7b plus C23; but not greater than Line C26 or less than zero)			5,538,501.45			8,274,763.83
9. Total Appropriations Subject to the Limit						
a. Local Revenues (Line D7b)			85,107,392.93			
b. State Subventions (Line D8)			5,538,501.45			
c. Less: Excluded Appropriations (Line C23)			1,273,072.25			
d. TOTAL APPROPRIATIONS SUBJECT TO THE LIMIT (Lines D9a plus D9b minus D9c)			89,372,822.13			

	2015-16 Calculations			2016-17 Calculations		
	Extracted Data	Adjustments*	Entered Data/Totals	Extracted Data	Adjustments*	Entered Data/Totals
10. Adjustments to the Limit Per Government Code Section 7902.1 (Line D9d minus D4; if negative, then zero) If not zero report amount to: Michael Cohen, Director State Department of Finance Attention: School Gann Limits State Capitol, Room 1145 Sacramento, CA 95814			0.00			
Summary	2015-16 Actual			2016-17 Budget		
11. Adjusted Appropriations Limit (Lines D4 plus D10)			89,372,822.13			92,006,183.40
12. Appropriations Subject to the Limit (Line D9d)			89,372,822.13			

* Please provide below an explanation for each entry in the adjustments column.

Pat Ho
Gann Contact Person

310-4508338 ext. 70255
Contact Phone Number

Part I - General Administrative Share of Plant Services Costs

California's indirect cost plan allows that the general administrative costs in the indirect cost pool may include that portion of plant services costs (maintenance and operations costs and facilities rents and leases costs) attributable to the general administrative offices. The calculation of the plant services costs attributed to general administration and included in the pool is standardized and automated using the percentage of salaries and benefits relating to general administration as proxy for the percentage of square footage occupied by general administration.

A. Salaries and Benefits - Other General Administration and Centralized Data Processing

- 1. Salaries and benefits paid through payroll (Funds 01, 09, and 62, objects 1000-3999 except 3701-3702)
(Functions 7200-7700, goals 0000 and 9000) 4,771,456.20
- 2. Contracted general administrative positions not paid through payroll
 - a. Enter the costs, if any, of general administrative positions performing services ON SITE but paid through a contract, rather than through payroll, in functions 7200-7700, goals 0000 and 9000, Object 5800. _____
 - b. If an amount is entered on Line A2a, provide the title, duties, and approximate FTE of each general administrative position paid through a contract. Retain supporting documentation in case of audit. _____

B. Salaries and Benefits - All Other Activities

- 1. Salaries and benefits paid through payroll (Funds 01, 09, and 62, objects 1000-3999 except 3701-3702)
(Functions 1000-6999, 7100-7180, & 8100-8400; Functions 7200-7700, all goals except 0000 & 9000) 118,562,521.52

C. Percentage of Plant Services Costs Attributable to General Administration

(Line A1 plus Line A2a, divided by Line B1; zero if negative) (See Part III, Lines A5 and A6) 4.02%

Part II - Adjustments for Employment Separation Costs

When an employee separates from service, the local educational agency (LEA) may incur costs associated with the separation in addition to the employee's regular salary and benefits for the final pay period. These additional costs can be categorized as "normal" or "abnormal or mass" separation costs.

Normal separation costs include items such as pay for accumulated unused leave or routine severance pay authorized by governing board policy. Normal separation costs are not allowable as direct costs to federal programs, but are allowable as indirect costs. State programs may have similar restrictions. Where federal or state program guidelines required that the LEA charge an employee's normal separation costs to an unrestricted resource rather than to the restricted program in which the employee worked, the LEA may identify and enter these costs on Line A for inclusion in the indirect cost pool.

Abnormal or mass separation costs are those costs resulting from actions taken by an LEA to influence employees to terminate their employment earlier than they normally would have. Abnormal or mass separation costs include retirement incentives such as a Golden Handshake or severance packages negotiated to effect termination. Abnormal or mass separation costs may not be charged to federal programs as either direct costs or indirect costs. Where an LEA paid abnormal or mass separation costs on behalf of positions in general administrative functions included in the indirect cost pool, the LEA must identify and enter these costs on Line B for exclusion from the pool.

A. Normal Separation Costs (optional)

Enter any normal separation costs paid on behalf of employees of restricted state or federal programs that were charged to an unrestricted resource (0000-1999) in funds 01, 09, and 62 with functions 1000-6999 or 8100-8400 rather than to the restricted program. These costs will be moved in Part III from base costs to the indirect cost pool. _____
Retain supporting documentation.

B. Abnormal or Mass Separation Costs (required)

Enter any abnormal or mass separation costs paid on behalf of general administrative positions charged to unrestricted resources (0000-1999) in funds 01, 09, and 62 with functions 7200-7700. These costs will be moved in Part III from the indirect cost pool to base costs. If none, enter zero. 0.00

Part III - Indirect Cost Rate Calculation (Funds 01, 09, and 62, unless indicated otherwise)

A. Indirect Costs

1. Other General Administration, less portion charged to restricted resources or specific goals (Functions 7200-7600, objects 1000-5999, minus Line B9)	6,841,941.34
2. Centralized Data Processing, less portion charged to restricted resources or specific goals (Function 7700, objects 1000-5999, minus Line B10)	984,072.29
3. External Financial Audit - Single Audit (Function 7190, resources 0000-1999, goals 0000 and 9000, objects 5000-5999)	61,038.75
4. Staff Relations and Negotiations (Function 7120, resources 0000-1999, goals 0000 and 9000, objects 1000-5999)	0.00
5. Plant Maintenance and Operations (portion relating to general administrative offices only) (Functions 8100-8400, objects 1000-5999 except 5100, times Part I, Line C)	572,046.10
6. Facilities Rents and Leases (portion relating to general administrative offices only) (Function 8700, resources 0000-1999, objects 1000-5999 except 5100, times Part I, Line C)	19,756.29
7. Adjustment for Employment Separation Costs	
a. Plus: Normal Separation Costs (Part II, Line A)	0.00
b. Less: Abnormal or Mass Separation Costs (Part II, Line B)	0.00
8. Total Indirect Costs (Lines A1 through A7a, minus Line A7b)	8,478,854.77
9. Carry-Forward Adjustment (Part IV, Line F)	(345,522.36)
10. Total Adjusted Indirect Costs (Line A8 plus Line A9)	8,133,332.41

B. Base Costs

1. Instruction (Functions 1000-1999, objects 1000-5999 except 5100)	86,117,077.85
2. Instruction-Related Services (Functions 2000-2999, objects 1000-5999 except 5100)	16,108,111.81
3. Pupil Services (Functions 3000-3999, objects 1000-5999 except 5100)	13,409,800.50
4. Ancillary Services (Functions 4000-4999, objects 1000-5999 except 5100)	734,142.95
5. Community Services (Functions 5000-5999, objects 1000-5999 except 5100)	1,938,596.59
6. Enterprise (Function 6000, objects 1000-5999 except 5100)	0.00
7. Board and Superintendent (Functions 7100-7180, objects 1000-5999, minus Part III, Line A4)	1,583,322.44
8. External Financial Audit - Single Audit and Other (Functions 7190-7191, objects 5000-5999, minus Part III, Line A3)	0.00
9. Other General Administration (portion charged to restricted resources or specific goals only) (Functions 7200-7600, resources 2000-9999, objects 1000-5999; Functions 7200-7600, resources 0000-1999, all goals except 0000 and 9000, objects 1000-5999)	76,705.26
10. Centralized Data Processing (portion charged to restricted resources or specific goals only) (Function 7700, resources 2000-9999, objects 1000-5999; Function 7700, resources 0000-1999, all goals except 0000 and 9000, objects 1000-5999)	3,779.94
11. Plant Maintenance and Operations (all except portion relating to general administrative offices) (Functions 8100-8400, objects 1000-5999 except 5100, minus Part III, Line A5)	13,657,956.42
12. Facilities Rents and Leases (all except portion relating to general administrative offices) (Function 8700, objects 1000-5999 except 5100, minus Part III, Line A6)	471,693.66
13. Adjustment for Employment Separation Costs	
a. Less: Normal Separation Costs (Part II, Line A)	0.00
b. Plus: Abnormal or Mass Separation Costs (Part II, Line B)	0.00
14. Adult Education (Fund 11, functions 1000-6999, 8100-8400, and 8700, objects 1000-5999 except 5100)	526,484.48
15. Child Development (Fund 12, functions 1000-6999, 8100-8400, and 8700, objects 1000-5999 except 5100)	7,983,221.96
16. Cafeteria (Funds 13 and 61, functions 1000-6999, 8100-8400, and 8700, objects 1000-5999 except 5100)	2,881,630.32
17. Foundation (Funds 19 and 57, functions 1000-6999, 8100-8400, and 8700, objects 1000-5999 except 5100)	0.00
18. Total Base Costs (Lines B1 through B12 and Lines B13b through B17, minus Line B13a)	145,492,524.18

C. Straight Indirect Cost Percentage Before Carry-Forward Adjustment
(For information only - not for use when claiming/recovering indirect costs)
(Line A8 divided by Line B18)

5.83%

D. Preliminary Proposed Indirect Cost Rate
(For final approved fixed-with-carry-forward rate for use in 2017-18 see www.cde.ca.gov/fg/ac/ic)
(Line A10 divided by Line B18)

5.59%

Part IV - Carry-forward Adjustment

The carry-forward adjustment is an after-the-fact adjustment for the difference between indirect costs recoverable using the indirect cost rate approved for use in a given year, and the actual indirect costs incurred in that year. The carry-forward adjustment eliminates the need for LEAs to file amended federal reports when their actual indirect costs vary from the estimated indirect costs on which the approved rate was based.

Where the ratio of indirect costs incurred in the current year is less than the estimated ratio of indirect costs on which the approved rate for use in the current year was based, the carry-forward adjustment is limited by using either the approved rate times current year base costs, or the highest rate actually used to recover costs from any program times current year base costs, if the highest rate used was less than the approved rate. Rates used to recover costs from programs are displayed in Exhibit A.

A. Indirect costs incurred in the current year (Part III, Line A8)	<u>8,478,854.77</u>
B. Carry-forward adjustment from prior year(s)	
1. Carry-forward adjustment from the second prior year	<u>312,553.39</u>
2. Carry-forward adjustment amount deferred from prior year(s), if any	<u>0.00</u>
C. Carry-forward adjustment for under- or over-recovery in the current year	
1. Under-recovery: Part III, Line A8, plus carry-forward adjustment from prior years, minus (approved indirect cost rate (6.28%) times Part III, Line B18); zero if negative	<u>0.00</u>
2. Over-recovery: Part III, Line A8, plus carry-forward adjustment from prior years, minus the lesser of (approved indirect cost rate (6.28%) times Part III, Line B18) or (the highest rate used to recover costs from any program (6.28%) times Part III, Line B18); zero if positive	<u>(345,522.36)</u>
D. Preliminary carry-forward adjustment (Line C1 or C2)	<u>(345,522.36)</u>
E. Optional allocation of negative carry-forward adjustment over more than one year	
Where a negative carry-forward adjustment causes the proposed approved rate to fall below zero or would reduce the rate at which the LEA could recover indirect costs to such an extent that it would cause the LEA significant fiscal harm, the LEA may request that the carry-forward adjustment be allocated over more than one year. Where allocation of a negative carry-forward adjustment over more than one year does not resolve a negative rate, the CDE will work with the LEA on a case-by-case basis to establish an approved rate.	
Option 1. Preliminary proposed approved rate (Part III, Line D) if entire negative carry-forward adjustment is applied to the current year calculation:	<u>5.59%</u>
Option 2. Preliminary proposed approved rate (Part III, Line D) if one-half of negative carry-forward adjustment (\$-172,761.18) is applied to the current year calculation and the remainder (\$-172,761.18) is deferred to one or more future years:	<u>5.71%</u>
Option 3. Preliminary proposed approved rate (Part III, Line D) if one-third of negative carry-forward adjustment (\$-115,174.12) is applied to the current year calculation and the remainder (\$-230,348.24) is deferred to one or more future years:	<u>5.75%</u>
LEA request for Option 1, Option 2, or Option 3	<u>1</u>
F. Carry-forward adjustment used in Part III, Line A9 (Line D minus amount deferred if Option 2 or Option 3 is selected)	<u>(345,522.36)</u>

Approved indirect cost rate: 6.28%
Highest rate used in any program: 6.28%

Fund	Resource	Eligible Expenditures (Objects 1000-5999 except Object 5100)	Indirect Costs Charged (Objects 7310 and 7350)	Rate Used
01	3010	1,121,382.27	70,422.81	6.28%
01	3185	19,197.89	1,205.63	6.28%
01	3310	5,004,533.21	112,962.48	2.26%
01	3311	171,712.18	10,783.52	6.28%
01	3315	104,710.60	3,576.00	3.42%
01	3320	105,580.23	6,554.00	6.21%
01	3385	51,074.52	3,207.48	6.28%
01	3550	49,362.66	2,468.13	5.00%
01	4035	424,549.63	26,661.72	6.28%
01	4201	14,016.02	880.21	6.28%
01	4203	91,916.92	1,838.34	2.00%
01	6264	113,635.80	7,136.33	6.28%
01	6387	337,226.00	21,177.50	6.28%
01	6520	58,916.79	3,314.00	5.62%
01	7405	75,320.58	4,730.13	6.28%
01	8150	3,807,931.72	238,630.56	6.27%
11	6391	363,783.22	22,845.58	6.28%
11	7810	92,510.24	2,420.85	2.62%
12	6105	4,023,181.05	252,655.77	6.28%
12	9010	643,604.23	40,408.72	6.28%
13	5310	2,881,630.32	134,840.73	4.68%

Description	Object Codes	Lottery: Unrestricted (Resource 1100)	Transferred to Other Resources for Expenditure	Lottery: Instructional Materials (Resource 6300)*	Totals
A. AMOUNT AVAILABLE FOR THIS FISCAL YEAR					
1. Adjusted Beginning Fund Balance	9791-9795	900,282.68		823,398.63	1,723,681.31
2. State Lottery Revenue	8560	1,664,714.12		571,915.78	2,236,629.90
3. Other Local Revenue	8600-8799	0.00		0.00	0.00
4. Transfers from Funds of Lapsed/Reorganized Districts	8965	0.00		0.00	0.00
5. Contributions from Unrestricted Resources (Total must be zero)	8980	0.00			0.00
6. Total Available (Sum Lines A1 through A5)		2,564,996.80	0.00	1,395,314.41	3,960,311.21
B. EXPENDITURES AND OTHER FINANCING USES					
1. Certificated Salaries	1000-1999	1,228,792.41			1,228,792.41
2. Classified Salaries	2000-2999	0.00			0.00
3. Employee Benefits	3000-3999	362,815.83			362,815.83
4. Books and Supplies	4000-4999	0.00		195,219.01	195,219.01
5. a. Services and Other Operating Expenditures (Resource 1100)	5000-5999	0.00			0.00
b. Services and Other Operating Expenditures (Resource 6300)	5000-5999, except 5100, 5710, 5800				
c. Duplicating Costs for Instructional Materials (Resource 6300)	5100, 5710, 5800				
6. Capital Outlay	6000-6999	0.00			0.00
7. Tuition	7100-7199	0.00			0.00
8. Interagency Transfers Out					
a. To Other Districts, County Offices, and Charter Schools	7211,7212,7221, 7222,7281,7282	0.00			0.00
b. To JPAs and All Others	7213,7223, 7283,7299	0.00			0.00
9. Transfers of Indirect Costs	7300-7399				
10. Debt Service	7400-7499	0.00			0.00
11. All Other Financing Uses	7630-7699	0.00			0.00
12. Total Expenditures and Other Financing Uses (Sum Lines B1 through B11)		1,591,608.24	0.00	195,219.01	1,786,827.25
C. ENDING BALANCE					
(Must equal Line A6 minus Line B12)	979Z	973,388.56	0.00	1,200,095.40	2,173,483.96
D. COMMENTS:					

Data from this report will be used to prepare a report to the Legislature as required by Control Section 24.60 of the Budget /

*Pursuant to Government Code Section 8880.4(a)(2)(B) and the definition in Education Code Section 60010(h), Resource 6300 funds are to be used for purchase of instructional materials only. Any amounts in the shaded cells of this column should be reviewed for appropriateness

Section I - Expenditures	Funds 01, 09, and 62			2015-16 Expenditures
	Goals	Functions	Objects	
A. Total state, federal, and local expenditures (all resources)	All	All	1000-7999	144,944,516.15
B. Less all federal expenditures not allowed for MOE (Resources 3000-5999, except 3385)	All	All	1000-7999	8,005,777.96
C. Less state and local expenditures not allowed for MOE: (All resources, except federal as identified in Line B)				
1. Community Services	All	5000-5999	1000-7999	1,962,430.96
2. Capital Outlay	All except 7100-7199	All except 5000-5999	6000-6999	531,722.30
3. Debt Service	All	9100	5400-5450, 5800, 7430- 7439	53,388.00
4. Other Transfers Out	All	9200	7200-7299	0.00
5. Interfund Transfers Out	All	9300	7600-7629	584,491.00
6. All Other Financing Uses	All	9100 9200	7699 7651	0.00
7. Nonagency	7100-7199	All except 5000-5999, 9000-9999	1000-7999	37,094.00
8. Tuition (Revenue, in lieu of expenditures, to approximate costs of services for which tuition is received)	All	All	8710	0.00
9. Supplemental expenditures made as a result of a Presidentially declared disaster	Manually entered. Must not include expenditures in lines B, C1-C8, D1, or D2.			
10. Total state and local expenditures not allowed for MOE calculation (Sum lines C1 through C9)				3,169,126.26
D. Plus additional MOE expenditures:			1000-7143, 7300-7439	
1. Expenditures to cover deficits for food services (Funds 13 and 61) (If negative, then zero)	All	All	minus 8000-8699	330,227.01
2. Expenditures to cover deficits for student body activities	Manually entered. Must not include expenditures in lines A or D1.			
E. Total expenditures subject to MOE (Line A minus lines B and C10, plus lines D1 and D2)				134,099,838.94

Section II - Expenditures Per ADA		2015-16 Annual ADA/ Exps. Per ADA
A. Average Daily Attendance (Form A, Annual ADA column, sum of lines A6 and C9)		10,680.06
B. Expenditures per ADA (Line I.E divided by Line II.A)		12,556.09
Section III - MOE Calculation (For data collection only. Final determination will be done by CDE)		
	Total	Per ADA
A. Base expenditures (Preloaded expenditures from prior year official CDE MOE calculation). (Note: If the prior year MOE was not met, CDE has adjusted the prior year base to 90 percent of the preceding prior year amount rather than the actual prior year expenditure amount.)	122,581,457.23	11,392.23
1. Adjustment to base expenditure and expenditure per ADA amounts for LEAs failing prior year MOE calculation (From Section IV)	0.00	0.00
2. Total adjusted base expenditure amounts (Line A plus Line A.1)	122,581,457.23	11,392.23
B. Required effort (Line A.2 times 90%)	110,323,311.51	10,253.01
C. Current year expenditures (Line I.E and Line II.B)	134,099,838.94	12,556.09
D. MOE deficiency amount, if any (Line B minus Line C) (If negative, then zero)	0.00	0.00
E. MOE determination (If one or both of the amounts in line D are zero, the MOE requirement is met; if both amounts are positive, the MOE requirement is not met. If either column in Line A.2 or Line C equals zero, the MOE calculation is incomplete.)	MOE Met	
F. MOE deficiency percentage, if MOE not met; otherwise, zero (Line D divided by Line B) (Funding under NCLB covered programs in FY 2017-18 may be reduced by the lower of the two percentages)	0.00%	0.00%

SECTION IV - Detail of Adjustments to Base Expenditures (used in Section III, Line A.1)		
Description of Adjustments	Total Expenditures	Expenditures Per ADA
Total adjustments to base expenditures	0.00	0.00

Unaudited Actuals
2015-16
General Fund and Charter Schools Funds
Program Cost Report
Schedule of Allocation Factors (AF) for Support Costs

	----- Teacher Full-Time Equivalents -----				----- Classroom Units -----		Pupils Transported
	Instructional Supervision and Administration (Functions 2100-2200)	Library, Media, Technology and Other Instructional Resources (Functions 2420-2495)	School Administration (Function 2700)	Pupil Support Services (Functions 3100-3199 & 3900)	Plant Maintenance and Operations (Functions 8100-8400)	Facilities Rents and Leases (Function 8700)	Pupil Transportation (Function 3600)
A. Amount of Undistributed Expenditures, Funds 01, 09, and 62, Goals 0000 and 9000 (will be allocated based on factors input)	0.00	0.00	0.49	1,465,396.75	14,344,171.19	491,449.95	0.00
B. Enter Allocation Factor(s) by Goal: (Note: Allocation factors are only needed for a column if there are undistributed expenditures in line A.)	FTE Factor(s)	FTE Factor(s)	FTE Factor(s)	FTE Factor(s)	CU Factor(s)	CU Factor(s)	PT Factor(s)
Instructional Goals Description							
0001 Pre-Kindergarten							
1110 Regular Education, K-12			499.17	499.17	704.62	704.62	
3100 Alternative Schools				11.65	15.96	15.96	
3200 Continuation Schools				6.00	20.91	20.91	
3300 Independent Study Centers				2.00	2.00	2.00	
3400 Opportunity Schools				1.00	1.00	1.00	
3550 Community Day Schools							
3700 Specialized Secondary Programs							
3800 Career Technical Education				6.80	7.00	7.00	
4110 Regular Education, Adult							
4610 Adult Independent Study Centers							
4620 Adult Correctional Education							
4630 Adult Career Technical Education							
4760 Bilingual							
4850 Migrant Education							
5000-5999 Special Education (allocated to 5001)				107.80	82.78	82.78	
6000 ROC/P							
Other Goals Description							
7110 Nonagency - Educational							
7150 Nonagency - Other							
8100 Community Services							
8500 Child Care and Development Services							
Other Funds Description							
-- Adult Education (Fund 11)					2.13		
-- Child Development (Fund 12)	86.07	86.07	86.07	86.07	71.01		
-- Cafeteria (Funds 13 & 61)							
C. Total Allocation Factors	86.07	86.07	585.24	720.49	907.41	834.27	0.00

Unaudited Actuals
2015-16
General Fund and Charter Schools Funds
Program Cost Report

Goal	Program/Activity	----- Direct Costs -----			Central Admin Costs (col. 3 x Sch. CAC line E Column 4)	Other Costs (Schedule OC) Column 5	Total Costs by Program (col. 3 + 4 + 5) Column 6
		Direct Charged (Schedule DCC) Column 1	Allocated (Schedule AC) Column 2	Subtotal (col. 1 + 2) Column 3			
Instructional Goals							
0001	Pre-Kindergarten	0.00	0.00	0.00	0.00	0.00	
1110	Regular Education, K-12	84,498,556.10	12,568,836.84	97,067,392.94	6,483,873.27	103,551,266.21	
3100	Alternative Schools	1,502,391.21	285,389.25	1,787,780.46	119,419.52	1,907,199.98	
3200	Continuation Schools	755,490.75	355,062.40	1,110,553.15	74,182.34	1,184,735.49	
3300	Independent Study Centers	227,682.85	36,861.57	264,544.42	17,670.94	282,215.36	
3400	Opportunity Schools	108,002.00	18,430.79	126,432.79	8,445.41	134,878.20	
3550	Community Day Schools	0.00	0.00	0.00	0.00	0.00	
3700	Specialized Secondary Programs	0.00	0.00	0.00	0.00	0.00	
3800	Career Technical Education	854,373.75	128,608.71	982,982.46	65,660.91	1,048,643.37	
4110	Regular Education, Adult	0.00	0.00	0.00	0.00	0.00	
4610	Adult Independent Study Centers	0.00	0.00	0.00	0.00	0.00	
4620	Adult Correctional Education	0.00	0.00	0.00	0.00	0.00	
4630	Adult Career Technical Education	0.00	0.00	0.00	0.00	0.00	
4760	Bilingual	171,637.84	0.00	171,637.84	11,465.00	183,102.84	
4850	Migrant Education	0.00	0.00	0.00	0.00	0.00	
5000-5999	Special Education	28,519,561.52	1,576,588.19	30,096,149.71	2,010,351.93	32,106,501.64	
6000	Regional Occupational Ctr/Prg (ROC/P)	0.00	0.00	0.00	0.00	0.00	
Other Goals							
7110	Nonagency - Educational	37,094.00	0.00	37,094.00	2,477.79	39,571.79	
7150	Nonagency - Other	0.00	0.00	0.00	0.00	0.00	
8100	Community Services	1,962,430.96	0.00	1,962,430.96	131,085.77	2,093,516.73	
8500	Child Care and Development Services	49,770.96	0.00	49,770.96	3,324.58	53,095.54	
Other Costs							
----	Food Services					84,112.38	
----	Enterprise					0.00	
----	Facilities Acquisition & Construction					0.00	
----	Other Outgo					637,879.00	
Other Funds							
----	Adult Education, Child Development, Cafeteria, Foundation ([Column 3 + CAC, line C5] times CAC, line E)		1,331,240.63	1,331,240.63	849,838.21	2,181,078.84	
----	Indirect Cost Transfers to Other Funds (Net of Funds 01, 09, 62, Function 7210, Object 7350)				(543,281.24)	(543,281.24)	
----	Total General Fund and Charter Schools Funds Expenditures	118,686,991.94	16,301,018.38	134,988,010.32	9,234,514.43	144,944,516.13	

Unaudited Actuals
2015-16
General Fund and Charter Schools Funds
Program Cost Report
Schedule of Direct Charged Costs (DCC)

Goal	Type of Program	Instruction (Functions 1000-1999)	Instructional Supervision and Administration (Functions 2100-2200)	Library, Media, Technology and Other Instructional Resources (Functions 2420-2495)	School Administration (Function 2700)	Pupil Support Services (Functions 3110-3160 and 3900)	Pupil Transportation (Function 3600)	Ancillary Services (Functions 4000-4999)	Community Services (Functions 5000-5999)	General Administration (Functions 7000-7999, except 7210)*	Plant Maintenance and Operations (Functions 8100-8400)	Facilities Rents and Leases (Function 8700)	Total
Instructional Goals													
0001	Pre-Kindergarten	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00
1110	Regular Education, K-12	63,898,998.64	3,541,619.18	2,011,073.46	8,744,246.89	4,851,894.73	706,470.65	710,544.47			33,708.08	0.00	84,498,556.10
3100	Alternative Schools	1,264,582.79	0.00	484.60	237,323.82	0.00	0.00	0.00			0.00	0.00	1,502,391.21
3200	Continuation Schools	487,093.55	0.00	0.00	166,574.63	101,822.57	0.00	0.00			0.00	0.00	755,490.75
3300	Independent Study Centers	227,682.85	0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	227,682.85
3400	Opportunity Schools	108,002.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	108,002.00
3550	Community Day Schools	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00
3700	Specialized Secondary Programs	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00
3800	Career Technical Education	670,619.57	160,155.70	0.00	0.00	0.00	0.00	23,598.48			0.00	0.00	854,373.75
4110	Regular Education, Adult	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00
4610	Adult Independent Study Centers	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00
4620	Adult Correctional Education	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00
4630	Adult Career Technical Education	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00
4760	Bilingual	164,906.84	6,731.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	171,637.84
4850	Migrant Education	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00
5000-5999	Special Education	20,932,433.27	1,316,100.34	0.00	0.00	5,062,206.23	1,208,821.68	0.00			0.00	0.00	28,519,561.52
6000	ROC/P	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00
Other Goals													
7110	Nonagency - Educational	35,488.00	0.00	0.00	0.00	1,606.00	0.00	0.00	0.00	0.00	0.00	0.00	37,094.00
7150	Nonagency - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8100	Community Services		0.00	0.00	0.00	0.00	0.00		1,962,430.96	0.00	0.00	0.00	1,962,430.96
8500	Child Care and Development Services	24,594.91	0.00	0.00	14,080.00	0.00	0.00		0.00	0.00	11,096.05	0.00	49,770.96
Total Direct Charged Costs		87,814,402.42	5,024,606.22	2,011,558.06	9,162,225.34	10,017,529.53	1,915,292.33	734,142.95	1,962,430.96	0.00	44,804.13	0.00	118,686,991.94

* Functions 7100-7199 for goals 8100 and 8500

Unaudited Actuals
2015-16
General Fund and Charter Schools Funds
Program Cost Report
Schedule of Allocated Support Costs (AC)

Goal	Type of Program	Allocated Support Costs (Based on factors input on Form PCRAF)			Total
		Full-Time Equivalents	Classroom Units	Pupils Transported	
Instructional Goals					
0001	Pre-Kindergarten	0.00	0.00	0.00	0.00
1110	Regular Education, K-12	1,015,256.84	11,553,580.00	0.00	12,568,836.84
3100	Alternative Schools	23,694.81	261,694.44	0.00	285,389.25
3200	Continuation Schools	12,203.33	342,859.07	0.00	355,062.40
3300	Independent Study Centers	4,067.78	32,793.79	0.00	36,861.57
3400	Opportunity Schools	2,033.89	16,396.90	0.00	18,430.79
3550	Community Day Schools	0.00	0.00	0.00	0.00
3700	Specialized Secondary Programs	0.00	0.00	0.00	0.00
3800	Career Technical Education	13,830.45	114,778.26	0.00	128,608.71
4110	Regular Education, Adult	0.00	0.00	0.00	0.00
4610	Adult Independent Study Centers	0.00	0.00	0.00	0.00
4620	Adult Correctional Education	0.00	0.00	0.00	0.00
4630	Adult Career Technical Education	0.00	0.00	0.00	0.00
4760	Bilingual	0.00	0.00	0.00	0.00
4850	Migrant Education	0.00	0.00	0.00	0.00
5000-5999	Special Education (allocated to 5001)	219,253.24	1,357,334.95	0.00	1,576,588.19
6000	ROC/P	0.00	0.00	0.00	0.00
Other Goals					
7110	Nonagency - Educational	0.00	0.00	0.00	0.00
7150	Nonagency - Other	0.00	0.00	0.00	0.00
8100	Community Services	0.00	0.00	0.00	0.00
8500	Child Care and Development Svcs.	0.00	0.00	0.00	0.00
Other Funds					
--	Adult Education (Fund 11)		33,670.65		33,670.65
--	Child Development (Fund 12)	175,056.90	1,122,513.08	0.00	1,297,569.98
--	Cafeteria (Funds 13 and 61)		0.00		0.00
Total Allocated Support Costs		1,465,397.24	14,835,621.14	0.00	16,301,018.38

Unaudited Actuals
2015-16
Program Cost Report
Schedule of Central Administration Costs (CAC)

A. Central Administration Costs in General Fund and Charter Schools Funds		
1	Board and Superintendent (Funds 01, 09, and 62, Functions 7100-7180, Goals 0000-6999 and 9000, Objects 1000-7999)	1,589,328.60
2	External Financial Audits (Funds 01, 09, and 62, Functions 7190-7191, Goals 0000-6999 and 9000, Objects 1000-7999)	61,038.75
3	Other General Administration (Funds 01, 09, and 62, Functions 7200-7600 except 7210, Goal 0000, Objects 1000-7999)	7,082,301.49
4	Centralized Data Processing (Funds 01, 09, and 62, Function 7700, Goal 0000, Objects 1000-7999)	1,045,126.85
5	Total Central Administration Costs in General Fund and Charter Schools Funds	9,777,795.69
B. Direct Charged and Allocated Costs in General Fund and Charter Schools Funds		
1	Total Direct Charged Costs (from Form PCR, Column 1, Total)	118,686,991.94
2	Total Allocated Costs (from Form PCR, Column 2, Total)	16,301,018.38
3	Total Direct Charged and Allocated Costs in General Fund and Charter Schools Funds	134,988,010.32
C. Direct Charged Costs in Other Funds		
1	Adult Education (Fund 11, Objects 1000-5999, except 5100)	526,484.48
2	Child Development (Fund 12, Objects 1000-5999, except 5100)	7,983,221.96
3	Cafeteria (Funds 13 & 61, Objects 1000-5999, except 5100)	2,881,630.32
4	Foundation (Funds 19 & 57, Objects 1000-5999, except 5100)	0.00
5	Total Direct Charged Costs in Other Funds	11,391,336.76
D. Total Direct Charged and Allocated Costs (B3 + C5)		146,379,347.08
E. Ratio of Central Administration Costs to Direct Charged and Allocated Costs (A5/D)		6.68%

Unaudited Actuals
2015-16
General Fund and Charter Schools Funds
Program Cost Report
Schedule of Other Costs (OC)

Type of Activity	Food Services (Function 3700)	Enterprise (Function 6000)	Facilities Acquisition & Construction (Function 8500)	Other Outgo (Functions 9000-9999)	Total
Food Services (Objects 1000-5999, 6400, and 6500)	84,112.38				84,112.38
Enterprise (Objects 1000-5999, 6400, and 6500)		0.00			0.00
Facilities Acquisition & Construction (Objects 1000-6500)			0.00		0.00
Other Outgo (Objects 1000-7999)				637,879.00	637,879.00
Total Other Costs	84,112.38	0.00	0.00	637,879.00	721,991.38

Description	2015-16 Actual	2016-17 Budget	% Diff.
SELPA Name: Tri-City (BX)			
Date allocation plan approved by SELPA governance:			
I. TOTAL SELPA REVENUES			
A. Base Plus Taxes and Excess ERAF			
1. Base Apportionment	11,041,834.00	11,105,638.00	0.58%
2. Local Special Education Property Taxes			0.00%
3. Applicable Excess ERAF			0.00%
4. Total Base Apportionment, Taxes, and Excess ERAF	11,041,834.00	11,105,638.00	0.58%
B. COLA Apportionment	115,537.00		-100.00%
C. Growth Apportionment or Declining ADA Adjustment			0.00%
D. Subtotal (Sum lines A.4, B, and C)	11,157,371.00	11,105,638.00	-0.46%
E. Program Specialist/Regionalized Services for NSS Apportionment			0.00%
F. Low Incidence Apportionment	48,474.00	48,474.00	0.00%
G. Out of Home Care Apportionment	10,287.00	10,287.00	0.00%
H. Extraordinary Cost Pool for NPS/LCI and NSS Mental Health Services Apportionment			0.00%
I. Adjustment for NSS with Declining Enrollment			0.00%
J. Grand Total Apportionment, Taxes and Excess ERAF (Sum lines D through I)	11,216,132.00	11,164,399.00	-0.46%
K. Mental Health Apportionment	1,531,987.00	1,531,987.00	0.00%
L. Federal IDEA Local Assistance Grants - Preschool	206,166.00	206,166.00	0.00%
M. Federal IDEA - Section 619 Preschool	112,488.00	112,488.00	0.00%
N. Other Federal Discretionary Grants	4,171,789.00	4,150,692.00	-0.51%
O. Other Adjustments	7,644.00		-100.00%
P. Total SELPA Revenues (Sum lines J through O)	17,246,206.00	17,165,732.00	-0.47%
II. ALLOCATION TO SELPA MEMBERS			
Culver City Unified (BX00)	6,008,489.00	6,378,134.00	6.15%
Beverly Hills Unified (BX01)	3,123,599.00	2,951,254.00	-5.52%
Santa Monica-Malibu Unified (BX03)	8,114,118.00	7,836,344.00	-3.42%
Total Allocations (Sum all lines in Section II) (Amount must equal Line I.P)	17,246,206.00	17,165,732.00	-0.47%
Preparer Name: <u>Alva C. Diaz</u>			
Title: <u>Accounting Supervisor</u>			
Phone: <u>(310) 842-4220 ext. 4219</u>			

Current LEA: 19-64980-0000000 Santa Monica-Malibu Unified		
Selected SELPA: BX		(Enter a SELPA ID from the list below then save and close)
POTENTIAL SELPAS FOR THIS LEA		DATE APPROVED
ID	SELPA-TITLE	(from Form SEA)
BX	Tri-City	

Unaudited Actuals
2015-16 Unaudited Actuals
SUMMARY OF INTERFUND ACTIVITIES
FOR ALL FUNDS

Description	Direct Costs -		Indirect Costs -		Interfund Transfers In 8900-8929	Interfund Transfers Out 7600-7629	Due From Other Funds 9310	Due To Other Funds 9610
	Transfers In 5750	Interfund Transfers Out 5750	Transfers In 7350	Interfund Transfers Out 7350				
01 GENERAL FUND								
Expenditure Detail	0.00	(168,382.91)	0.00	(543,281.24)				
Other Sources/Uses Detail					0.00	584,491.00	0.00	0.00
Fund Reconciliation								
09 CHARTER SCHOOLS SPECIAL REVENUE FUND								
Expenditure Detail	0.00	0.00	0.00	0.00				
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								
10 SPECIAL EDUCATION PASS-THROUGH FUND								
Expenditure Detail								
Other Sources/Uses Detail								
Fund Reconciliation								
11 ADULT EDUCATION FUND								
Expenditure Detail	1,686.97	0.00	25,266.43	0.00				
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								
12 CHILD DEVELOPMENT FUND								
Expenditure Detail	398,330.67	0.00	383,174.08	0.00				
Other Sources/Uses Detail					234,491.00	0.00	0.00	0.00
Fund Reconciliation								
13 CAFETERIA SPECIAL REVENUE FUND								
Expenditure Detail	0.00	(377,819.29)	134,840.73	0.00				
Other Sources/Uses Detail					350,000.00	0.00	0.00	0.00
Fund Reconciliation								
14 DEFERRED MAINTENANCE FUND								
Expenditure Detail	0.00	0.00						
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								
15 PUPIL TRANSPORTATION EQUIPMENT FUND								
Expenditure Detail	0.00	0.00						
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								
17 SPECIAL RESERVE FUND FOR OTHER THAN CAPITAL OUTLAY								
Expenditure Detail								
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								
18 SCHOOL BUS EMISSIONS REDUCTION FUND								
Expenditure Detail	0.00	0.00						
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								
19 FOUNDATION SPECIAL REVENUE FUND								
Expenditure Detail	0.00	0.00	0.00	0.00				
Other Sources/Uses Detail						0.00	0.00	0.00
Fund Reconciliation								
20 SPECIAL RESERVE FUND FOR POSTEMPLOYMENT BENEFITS								
Expenditure Detail								
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								
21 BUILDING FUND								
Expenditure Detail	1,688,822.29	0.00						
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								
25 CAPITAL FACILITIES FUND								
Expenditure Detail	0.00	(1,542,637.73)						
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								
30 STATE SCHOOL BUILDING LEASE/PURCHASE FUND								
Expenditure Detail	0.00	0.00						
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								
35 COUNTY SCHOOL FACILITIES FUND								
Expenditure Detail	0.00	0.00						
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								
40 SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS								
Expenditure Detail	0.00	0.00						
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								
49 CAP PROJ FUND FOR BLENDED COMPONENT UNITS								
Expenditure Detail	0.00	0.00						
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								
51 BOND INTEREST AND REDEMPTION FUND								
Expenditure Detail								
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								
52 DEBT SVC FUND FOR BLENDED COMPONENT UNITS								
Expenditure Detail								
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								
53 TAX OVERRIDE FUND								
Expenditure Detail								
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								
56 DEBT SERVICE FUND								
Expenditure Detail								
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								
57 FOUNDATION PERMANENT FUND								
Expenditure Detail	0.00	0.00	0.00	0.00				
Other Sources/Uses Detail						0.00	0.00	0.00
Fund Reconciliation								
61 CAFETERIA ENTERPRISE FUND								
Expenditure Detail	0.00	0.00	0.00	0.00				
Other Sources/Uses Detail					0.00	0.00	0.00	0.00
Fund Reconciliation								

Unaudited Actuals
2015-16 Unaudited Actuals
SUMMARY OF INTERFUND ACTIVITIES
FOR ALL FUNDS

Description	Direct Costs - Interfund		Indirect Costs - Interfund		Interfund Transfers In 8900-8929	Interfund Transfers Out 7600-7629	Due From Other Funds 9310	Due To Other Funds 9610
	Transfers In 5750	Transfers Out 5750	Transfers In 7350	Transfers Out 7350				
62 CHARTER SCHOOLS ENTERPRISE FUND								
Expenditure Detail	0.00	0.00	0.00	0.00				
Other Sources/Uses Detail					0.00	0.00		
Fund Reconciliation							0.00	0.00
63 OTHER ENTERPRISE FUND								
Expenditure Detail	0.00	0.00						
Other Sources/Uses Detail					0.00	0.00		
Fund Reconciliation							0.00	0.00
66 WAREHOUSE REVOLVING FUND								
Expenditure Detail	0.00	0.00						
Other Sources/Uses Detail					0.00	0.00		
Fund Reconciliation							0.00	0.00
67 SELF-INSURANCE FUND								
Expenditure Detail	0.00	0.00						
Other Sources/Uses Detail					0.00	4,539,639.46		
Fund Reconciliation							0.00	0.00
71 RETIREE BENEFIT FUND								
Expenditure Detail								
Other Sources/Uses Detail					4,539,639.46			
Fund Reconciliation							0.00	0.00
73 FOUNDATION PRIVATE-PURPOSE TRUST FUND								
Expenditure Detail	0.00	0.00						
Other Sources/Uses Detail					0.00			
Fund Reconciliation							0.00	0.00
76 WARRANT/PASS-THROUGH FUND								
Expenditure Detail								
Other Sources/Uses Detail								
Fund Reconciliation							0.00	0.00
95 STUDENT BODY FUND								
Expenditure Detail								
Other Sources/Uses Detail								
Fund Reconciliation							0.00	0.00
TOTALS	2,088,839.93	(2,088,839.93)	543,281.24	(543,281.24)	5,124,130.46	5,124,130.46	0.00	0.00

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Unaudited Actuals
2015-16 Unaudited Actuals
Technical Review Checks

Santa Monica-Malibu Unified

Los Angeles County

Following is a chart of the various types of technical review checks and related requirements:

- F - Fatal (Data must be corrected; an explanation is not allowed)
- W/WC - Warning/Warning with Calculation (If data are not correct, correct the data; if data are correct an explanation is required)
- O - Informational (If data are not correct, correct the data; if data are correct an explanation is optional, but encouraged)

IMPORT CHECKS

GENERAL LEDGER CHECKS

OBJ-POSITIVE - (W) - The following objects have a negative balance by resource, by fund: EXCEPTION

FUND	RESOURCE	OBJECT	VALUE
01	0000	8044	-75,745.37

Explanation: The negative balance reflects adjustment from the County Office.

67	0000	5800	-9,978,925.83
----	------	------	---------------

Explanation: The District used to use Fund 67 to record all the OPEB expenses which included accrual of OPEB long term liability. In 2015-16 the District closed the Fund 67 and set up a Retiree Benefit Fund (Fund 71) and District reversed the accrual for OPEB long term liability in Fund 67.

EXP-POSITIVE - (W) - The following expenditure functions have a negative balance by resource, by fund. (NOTE: Functions, including CDE-defined optional functions, are checked individually, except functions 7200-7600 are combined.) EXCEPTION

FUND	RESOURCE	FUNCTION	VALUE
67	0000	6000	-9,978,925.83

Explanation: The District closed the Fund 67 and reversed the accrual of OPEB long term Liability in Fund 67.

SUPPLEMENTAL CHECKS

EXPORT CHECKS

Checks Completed.

APPENDIX B: B.16

<http://www.smmusd.org/superintendent/MalibuUnification/AppendixB/B.16AuditReportYrEnd063016.pdf>

BB REPORTS AS OF 05/31/2016

(A) Project Name	(B) Projects Allocation BB	(C) Funded From BB Bond Interest & Other Revenue	(D) Funded From Other Source	(E) Total Funding	(F-1) Encumbrances	(F-2) Payments	(F) Expended/Committed	(G) Forecasted Expenses	H=(F+G) Enc./Exp. + Forecast	I=(E-H) Allocation Balance	(J) Reallocation of Budget	K=(I+J) BB Shortfalls
BB OFFICE CENTRAL												
Centralized Expenses	\$4,017,896			\$4,017,896	\$3,009,356	\$455,153	\$3,464,509	\$2,977,213	\$6,441,722	(\$2,423,826)	\$30,953.00	(\$2,392,873.00)
Debt Services		\$1,597,244		\$1,597,244		\$1,597,244	\$1,597,244		\$1,597,244	\$0		\$0.00
CABRILLO ELEMENTARY SCH												
Cabrillo Parking	\$0			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0.00
Cabrillo: Safety Project (Fence & Gate)	\$562,410			\$562,410	\$1,638	\$556,604	\$558,242	\$0	\$558,242	\$4,168	(\$4,168)	\$0.00
BB TECHNOLOGY												
Data Center - BB Project	\$110,433			\$110,433	\$35,235	\$75,198	\$110,433	\$0	\$110,433	\$0		\$0.00
Cabrillo Technology	\$255,267			\$255,267	\$0	\$255,267	\$255,267	\$0	\$255,267	\$0		\$0.00
Data Center Districtwide Technology	\$1,896,491	\$5,372,250		\$7,268,741	\$1,455,038	\$5,809,024	\$7,264,062	\$1,433,111	\$8,697,173	(\$1,428,432)		(\$1,428,432)
Edison Technology Project	\$156,293			\$156,293	\$0	\$156,293	\$156,293	\$10,361	\$166,654	(\$10,361)		(\$10,361.00)
Franklin Technology Project	\$322,805			\$322,805	\$0	\$322,805	\$322,805	\$0	\$322,805	\$0		\$0.00
Grant Technology Project	\$304,739			\$304,739	\$0	\$304,739	\$304,739	\$0	\$304,739	\$0		\$0.00
JAMS Technology	\$0	\$1,024,691		\$1,024,691	\$0	\$1,024,691	\$1,024,691	\$0	\$1,024,691	\$0		\$0.00
Lincoln Technology	\$0	\$1,107,591		\$1,107,591	\$0	\$1,107,591	\$1,107,591	\$0	\$1,107,591	\$0		\$0.00
McKinley Technology	\$247,495			\$247,495	\$0	\$247,495	\$247,495	\$0	\$247,495	\$0		\$0.00
MMHS: Technology	\$757,818			\$757,818	\$0	\$757,818	\$757,818	\$374,490	\$1,132,308	(\$374,490)	\$4,168	(\$370,322.00)
Muir/SMASH Technology	\$344,847			\$344,847	\$0	\$344,847	\$344,847	\$0	\$344,847	\$0		\$0.00
Olympic Technology	\$208,196			\$208,196	\$0	\$208,196	\$208,196	\$390,760	\$598,956	(\$390,760)		(\$390,760.00)
Pt Dume Technology	\$259,144			\$259,144	\$0	\$259,144	\$259,144	\$0	\$259,144	\$0		\$0.00
Roosevelt Technology	\$295,518			\$295,518	\$0	\$295,518	\$295,518	\$0	\$295,518	\$0		\$0.00
Samohi Technology	\$0	\$1,486,619		\$1,486,619	\$0	\$1,486,619	\$1,486,619	\$74,567	\$1,561,186	(\$74,567)		(\$74,567.00)
Transportation Technology	\$5,588			\$5,588	\$0	\$5,588	\$5,588	\$0	\$5,588	\$0		\$0.00
Washington Technology	\$54,356			\$54,356	\$0	\$54,356	\$54,356	\$0	\$54,356	\$0		\$0.00
Webster Technology	\$230,307			\$230,307	\$0	\$230,307	\$230,307	\$0	\$230,307	\$0		\$0.00
Will Rogers Technology	\$233,720			\$233,720	\$0	\$233,720	\$233,720	\$0	\$233,720	\$0		\$0.00
DSA Compliance (Close Out)												
Business Center - DSA Compliance	\$183,237			\$183,237	\$436	\$0	\$436	\$182,801	\$183,237	\$0		\$0.00
Cabrillo - DSA Compliance	\$15,793			\$15,793	\$0	\$15,793	\$15,793	\$0	\$15,793	\$0		\$0.00
Data Center DSA Compliance	\$54,263			\$54,263	\$0	\$54,263	\$54,263	\$0	\$54,263	\$0		\$0.00
DSA Compliance (Close Out) Program Management	\$0			\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0.00
Edison - DSA Compliance	\$988,142			\$988,142	\$11,432	\$976,710	\$988,142	\$0	\$988,142	\$0		\$0.00

BB REPORTS AS OF 05/31/2016

(A) Project Name	(B) Projects Allocation BB	(C) Funded From BB Bond Interest & Other Revenue	(D) Funded From Other Source	(E) Total Funding	(F-1) Encumbrances	(F-2) Payments	(F) Expended/Committed	(G) Forecasted Expenses	H=(F+G) Enc./Exp. + Forecast	I=(E-H) Allocation Balance	(J) Reallocation of Budget	K=(I+J) BB Shortfalls
LMS: Modernization of Building E (Pkg 1B)	\$3,157,441			\$3,157,441	\$17,748	\$3,139,693	\$3,157,441	\$0	\$3,157,441	\$0		\$0.00
LMS: Relocatables & Site Utilities (Classroom & Library) (Pkg 1A)	\$769,516			\$769,516	\$0	\$768,519	\$768,519	\$0	\$768,519	\$997		\$997.00
LMS: Replacement of Clrm Building C & Site Improvement (Pkg 2)	\$28,391,875			\$28,391,875	\$70,958	\$28,270,857	\$28,341,815	\$292,032	\$28,633,847	(\$241,972)		(\$241,972.00)
MALIBU HIGH SCHOOL												
MMHS: New Bldg (Library, Admin & Classrooms): Modernization	\$40,751,139			\$40,751,139	\$2,304,754	\$12,800,687	\$15,105,441	\$25,645,698	\$40,751,139	\$0		\$0.00
MMHS: New Parking Lot and OWTS	\$4,143,393			\$4,143,393	\$0	\$6,572	\$6,572	\$4,136,821	\$4,143,393	\$0		\$0.00
MMHS: Off-Site Traffic	\$986,000			\$986,000	\$0	\$45,665	\$45,665	\$940,335	\$986,000	\$0		\$0.00
MMHS: Soil Remediation	\$588,691			\$588,691	\$0	\$426,448	\$426,448	\$162,243	\$588,691	\$0		\$0.00
MMHS: Upgrade Fire Alarm System	\$2,036,729			\$2,036,729	\$23,552	\$2,013,177	\$2,036,729	\$0	\$2,036,729	\$0		\$0.00
MMHS: Wastewater Equipment	\$415,903			\$415,903	\$374,654	\$41,249	\$415,903	\$0	\$415,903	\$0		\$0.00
MMHS: Water District 29 - Water Service Upgrade (Offsite Pkg)	\$469,912			\$469,912	\$7,160	\$462,752	\$469,912	\$0	\$469,912	\$0		\$0.00
MCKINLEY ELEMENTARY SCHOOL												
McKinley Entry and Main Office Reconfiguration Project	\$1,390,081			\$1,390,081	\$0	\$1,371,983	\$1,371,983	\$0	\$1,371,983	\$18,098	(\$18,098)	\$0.00
OLYMPIC HIGH SCHOOL												
Olympic HS: Demo Relocatables	\$51,720			\$51,720	\$0	\$51,720	\$51,720	\$0	\$51,720	\$0		\$0.00
Olympic HS: Landscape Improvement	\$108,184			\$108,184	\$2,822	\$105,362	\$108,184	\$0	\$108,184	\$0		\$0.00
Olympic HS: Modernization	\$9,994,689			\$9,994,689	\$6,487,187	\$2,668,080	\$9,155,267	\$914,996	\$10,070,263	(\$75,574)		(\$75,574.00)
PT.DUME ELEMENTARY SCHOOL												
Pt Dume ES: Trenchless Gas Lines Project	\$0			\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0.00
Pt Dume: Gas Line & Furnace Replacement Project	\$1,053,745			\$1,053,745	\$46,424	\$1,007,321	\$1,053,745	\$0	\$1,053,745	\$0		\$0.00
Wastewater Treatment	\$110,066			\$110,066	\$0	\$110,066	\$110,066	\$0	\$110,066	\$0		\$0.00
Roosevelt Elementary SCHOOL												
Roosevelt Elementary Redesign	\$352,097			\$352,097	\$0	\$352,097	\$352,097	\$0	\$352,097	\$0		\$0.00
SANTA MONICA HIGH SCHOOL												
Samohi: Science & Technology Bldg & Site Improvements Project	\$84,478,913	\$281,358	\$4,258,031	\$89,018,302	\$1,006,537	\$87,311,279	\$88,317,816	\$7,902,518	\$96,220,334	(\$7,202,032)		(\$7,202,032.00)
SMASH/MUIR COMBINED												
SMASH/Muir Emergency Gas Piping Repair	\$111,760			\$111,760	\$0	\$108,497	\$108,497	\$0	\$108,497	\$3,263	(\$3,263)	\$0.00
SMASH/Muir Entry Gate Project	\$106,891			\$106,891	\$0	\$106,154	\$106,154	\$0	\$106,154	\$737	(\$737)	\$0.00
WASHINGTON WEST												
Washington West Child Development	\$1,948,149			\$1,948,149	\$2,920	\$1,787,138	\$1,790,058	\$158,091	\$1,948,149	\$0		\$0.00
Washington West Facilities Building	\$449,074			\$449,074	\$0	\$449,074	\$449,074	\$0	\$449,074	\$0		\$0.00
WEBSTER ELEMENTARY SCHOOL												
Webster ES: Fire Alarm Replacement Project	\$503,988			\$503,988	\$36,638	\$467,350	\$503,988	\$0	\$503,988	\$0		\$0.00

ES REPORT AS OF 05/31/2016

(A) Project Name	(B) Projects Allocation ES	(C) ES Bond Interest	D=(B+C) Total Funding	(E-1) Encumbrances	(E-2) Payments	(E) Expended/Committed	(F) Forecasted Expenses	G=(E+F) Enc./Exp. + Forecast	H=(E-G) Allocation Balance
ES TECHNOLOGY	\$34,431,358								
SBAC & Initial 1-1 Devices	\$4,432,555		\$4,432,555	\$66,810	\$3,826,836	\$3,893,646	\$122,975	\$4,016,621	\$415,934
Infrastructure	\$10,792,103		\$10,792,103	\$605,735	\$7,523,663	\$8,129,398	\$8,581	\$8,137,979	\$2,654,124
21st Century Classrooms	\$10,953,440		\$10,953,440	\$1,560,743	\$3,154,247	\$4,714,990	\$1,117,548	\$5,832,538	\$5,120,902
Library	\$2,139,738		\$2,139,738	\$4,438	\$92,008	\$96,446	\$10,731	\$107,177	\$2,032,561
Computer Lab Upgrades	\$2,511,600		\$2,511,600	\$930,802	\$173,076	\$1,103,878	\$43,553	\$1,147,431	\$1,364,169
Leadership & Capacity-Building	\$3,601,922		\$3,601,922	\$6	\$125,028	\$125,034	\$0	\$125,034	\$3,476,888
ES TECHNOLOGY - TOTAL	\$34,431,358		\$34,431,358	\$3,168,534	\$14,894,858	\$18,063,392	\$1,303,388	\$19,366,780	\$15,064,578
ES - MALIBU ALLOCATION	\$77,000,000								
Malibu Lighting	\$2,065,577		\$2,065,577	\$235,066	\$1,830,511	\$2,065,577	\$0	\$2,065,577	\$0
Cabrillo - Window, Floor, Paint & Door Project	\$1,414,513		\$1,414,513	\$158,014	\$1,542	\$159,556	\$1,254,957	\$1,414,513	\$0
Pt.Dume - Window, Floor, Paint & Door Project	\$0		\$0	\$0		\$0	\$0	\$0	\$0
Webster - Window, Floor, Paint & Door Project	\$0		\$0	\$0		\$0	\$0	\$0	\$0
Malibu - Window, Floor, Paint & Door Project	\$286,749		\$286,749			\$0	\$286,749	\$286,749	\$0
Malibu Cooling Load & HVAC System Study	\$43,747		\$43,747	\$43,747		\$43,747	\$0	\$43,747	\$0
Malibu Environmental Caulk Removal	\$87,436		\$87,436	\$5,937	\$81,499	\$87,436	\$0	\$87,436	\$0
Malibu - Centralized Expense	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Malibu Shortfalls BB	\$374,490		\$374,490			\$0	\$374,490	\$374,490	\$0
ES - MALIBU ALLOCATION BUDGET AVAILABLE	\$73,014,237		\$3,898,022	\$442,764	\$1,913,552	\$2,356,316	\$1,916,196	\$3,898,022	\$0
ES - SAMOHI ALLOCATION	\$180,000,000								
SAMOHI Cooling Load & HVAC System System	\$43,747		\$43,747	\$43,747	\$0	\$43,747	\$0	\$43,747	\$0
SAMOHI ES Construction Planning	\$925,283		\$925,283	\$150,000	\$600,000	\$750,000	\$175,283	\$925,283	\$0
SAMOHI - Centralized Expense	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0
SAMOHI Shortfalls BB	\$10,341,647		\$10,341,647	\$0		\$0	\$10,341,647	\$10,341,647	\$0
ES - SAMOHI ALLOCATION BUDGET AVAILABLE	\$168,689,323		\$11,310,677	\$193,747	\$600,000	\$793,747	\$10,516,930	\$11,310,677	\$0

ES - SANTA MONICA UNALLOCATED	\$93,568,642								
Series A Cost of Issuance	\$217,000		\$217,000	\$0	\$217,000	\$217,000	\$0	\$217,000	\$0
Edison - Window, Floor, Paint & Door Project			\$0			\$0		\$0	\$0
Franklin - Window, Floor, Paint & Door Project			\$0			\$0		\$0	\$0
Grant - Window, Floor, Paint & Door Project	\$1,010,189		\$1,010,189	\$1,897	\$6,270	\$8,167	\$1,002,022	\$1,010,189	\$0
Mckinley - Window, Floor, Paint & Door Project			\$0			\$0		\$0	\$0
John Muir - Window, Floor, Paint & Door Project			\$0			\$0		\$0	\$0
Will Rogers - Window, Floor, Paint & Door Project	\$979,711		\$979,711	\$2,628	\$5,830	\$8,458	\$971,253	\$979,711	\$0
Roosevelt - Window, Floor, Paint & Door Project			\$0			\$0		\$0	\$0
SMASH - Window, Floor, Paint & Door Project			\$0			\$0		\$0	\$0
John Adams - Window, Floor, Paint & Door Project			\$0			\$0		\$0	\$0
Lincoln - Window, Floor, Paint & Door Project			\$0			\$0		\$0	\$0
Santa Monica Schools Except Malibu & SAMOHI - Cooling Load & HVAC System Study	\$131,558		\$131,558	\$0	\$131,558	\$131,558	\$0	\$131,558	\$0
JAMS Auditorium	\$64,600		\$64,600	\$64,600	\$0	\$64,600	\$0	\$64,600	\$0
Lincoln Athletic Track & Field	\$198,781		\$198,781	\$0	\$0	\$0	\$198,781	\$198,781	\$0
Centralized Cost	\$1,373,394		\$1,373,394	\$536,135	\$837,259	\$1,373,394	\$0	\$1,373,394	\$0
Santa Monica BB Shortfalls	\$18,455,080		\$18,455,080			\$0	\$18,455,080	\$18,455,080	\$0
ES - SANTA MONICA UNALLOCATED BUDGET AVAILIABLE	\$73,327,010		\$22,430,313	\$605,260	\$1,197,917	\$1,803,177	\$20,627,136	\$22,430,313	\$0

ALL ES PROJECT TOTALS

\$385,000,000

October 4, 2016

Santa Monica-Malibu Unified School District

Bond Program Overview

Keygent LLC

999 N. Sepulveda Blvd., Suite 500

El Segundo, CA 90245

(310) 322-4222



Section I

District Overview

SMMUSD Assessed Value by Jurisdiction (1)

Santa Monica Malibu USD (“SMMUSD”) is currently comprised of the areas below:

- ◆ The City of Santa Monica (assumed to be the potential “Santa Monica USD”) makes up approximately 66.44% of SMMUSD
- ◆ The City of Malibu and portions of the City of Westlake Village and Unincorporated Los Angeles County (together, assumed to be the potential “Malibu USD”) make up approximately 33.56% of SMMUSD

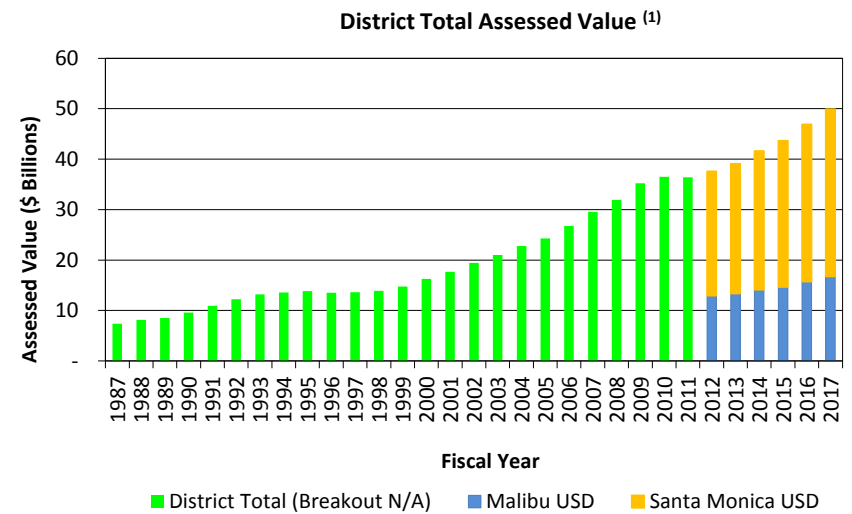
Jurisdiction	2016-17		2016-17	
	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Malibu	\$ 14,821,609,195	29.70 %	\$ 14,821,609,195	100.00 %
City of Santa Monica	33,159,005,934	66.44	33,159,981,350	100.00 %
City of Westlake Village	559,977	0.00	3,323,375,113	0.02 %
Unincorporated Los Angeles County	1,929,021,118	3.86	98,268,176,262	1.96 %
Total District	\$ 49,910,196,224	100.00 %		
Los Angeles County	\$ 49,910,196,224	100.00 %	\$1,344,647,265,846	3.71 %

(1) Source: California Municipal Statistics, Inc.

SMMUSD's Assessed Value ⁽¹⁾

SMMUSD's assessed value ("AV") grew by 6.47% in 2016-17

FY	Malibu USD		Santa Monica USD		SMMUSD	
	Total Assessed Value ⁽¹⁾	Annual % Change	Total Assessed Value ⁽¹⁾	Annual % Change	Total Assessed Value ⁽¹⁾	Annual % Change
1987					\$ 7,363,965,000	
1988					8,115,946,000	10.21 %
1989					8,497,040,000	4.70
1990					9,569,512,000	12.62
1991					10,959,403,000	14.52
1992					12,247,660,396	11.75
1993					13,212,295,256	7.88
1994					13,589,734,588	2.86
1995					13,831,788,934	1.78
1996					13,517,085,904	-2.28
1997					13,644,313,888	0.94
1998					13,879,224,941	1.72
1999					14,755,885,770	6.32
2000					16,268,617,035	10.25
2001					17,652,511,583	8.51
2002					19,440,867,781	10.13
2003					21,014,678,438	8.10
2004					22,755,683,025	8.28
2005					24,274,572,281	6.67
2006					26,750,651,775	10.20
2007					29,570,115,254	10.54
2008					31,926,254,125	7.97
2009					35,219,582,002	10.32
2010					36,517,722,578	3.69
2011					36,397,355,982	-0.33
2012	12,933,576,249		24,643,220,291		37,576,796,540	3.24
2013	13,336,729,306	3.12 %	25,764,831,084	4.55 %	39,101,560,390	4.06
2014	14,123,821,322	5.90	27,513,319,466	6.79	41,637,140,788	6.48
2015	14,646,090,350	3.70	29,045,399,241	5.57	43,691,489,591	4.93
2016	15,722,234,940	7.35	31,154,496,570	7.26	46,876,731,510	7.29
2017	16,751,190,290	6.54	33,159,005,935	6.43	49,910,196,224	6.47



	SMMUSD	
	Annualized Growth Rates:	Lowest Rolling
3-year:	6.23 %	0.11 %
5-year:	5.84	0.99
10-year:	5.37	4.73
15-year:	6.49	6.05
20-year:	6.70	5.57
25-year:	5.78	5.78

(1) Source: California Municipal Statistics, Inc. and Los Angeles County.

Rating Analysis - SMMUSD

The columns below represent Moody's rating medians for Aaa, Aa1 and Aa2

General Entity Information				SMMUSD ⁽¹⁾
Current Senior Most Rating	Aaa	Aa1	Aa2	Aa1
Financial Data : Tax Base Statistics and Ratios				
Total Full Value (\$000)	\$26,557,665	\$19,972,508	\$11,779,405	\$49,910,196
Full Value Per Capita (\$)	\$347,154	\$244,205	\$139,835	\$393,851
Average Annual Increase in Full Value (%)	4.2	2.8	1.7	6.7
Financial Data : Demographic Statistics				
Actual/Estimated Population, Annual Value	74,066	N/A	430,000	126,724
Population 2010 Census	60,630	85,145	80,653	108,868
Per Capita Income (2010 Census)	\$61,586	\$45,819	\$33,507	\$61,986
Per Capita Income as % of State (2010 Census)	211.0	157.0	114.8	207.3
Per Capita Income as % of U.S. (2010 Census)	225.3	167.6	122.5	217.1
Median Family Income (2010 Census)	\$123,573	\$107,125	\$88,963	\$75,391
Median Family Income as % of State (2010 Census)	178.2	154.5	128.3	122.6
Median Family Income as % of U.S. (2010 Census)	196.2	170.1	141.2	141.0
Population Change 2000-2010 (%)	4.0	3.5	4.9	N/A
Median Home Value (2010 Census)	\$1,000,001	\$779,700	\$556,400	1,000,000+
Median Gross Rent (2010 Census)	\$1,580	\$1,442	\$1,296	\$1,466
County Annual Unemployment Rate (BLS Data, %)	4.2	4.5	5.2	6.7
Financial Data : Debt Statistics & Ratios				
Operating Revenues (\$000)	\$73,682	\$91,511	\$99,867	\$180,979
Fund Balance as a % of Revenues	37.2	35.2	25.3	42.3
Cash Balance as a % of Revenues	39.4	36.9	26.9	48.5
Basic Aid	Yes	Yes/No	No	No
Financial Data : Pension Statistics and Ratios				
Net Direct Debt (\$000)	\$155,191	\$129,931	\$72,721	\$322,275
Net Direct Debt/Operating Revenues (x)	1.4	1.7	0.9	1.8
Net Direct Debt/Full Value (%)	2.5	2.2	2.6	0.7

(1) Sources: California Municipal Statistics, Inc., U.S. Census Bureau, 2010 Census, U.S. Census Bureau, 2010-2014 American Community Survey 5-Year estimates, and Bureau of Labor Statistics.

Rating Analysis - SMUSD

The columns below represent Moody's rating medians for Aaa, Aa1 and Aa2

General Entity Information				SMUSD ⁽¹⁾
Current Senior Most Rating	Aaa	Aa1	Aa2	
Financial Data : Tax Base Statistics and Ratios				
Total Full Value (\$000)	\$26,557,665	\$19,972,508	\$11,779,405	\$33,159,006
Full Value Per Capita (\$)	\$347,154	\$244,205	\$139,835	\$361,923
Average Annual Increase in Full Value (%)	4.2	2.8	1.7	6.0
Financial Data : Demographic Statistics				
Actual/Estimated Population, Annual Value	74,066	N/A	430,000	91,619
Population 2010 Census	60,630	85,145	80,653	89,736
Per Capita Income (2010 Census)	\$61,586	\$45,819	\$33,507	\$58,252
Per Capita Income as % of State (2010 Census)	211.0	157.0	114.8	194.8
Per Capita Income as % of U.S. (2010 Census)	225.3	167.6	122.5	204.0
Median Family Income (2010 Census)	\$123,573	\$107,125	\$88,963	\$74,534
Median Family Income as % of State (2010 Census)	178.2	154.5	128.3	121.2
Median Family Income as % of U.S. (2010 Census)	196.2	170.1	141.2	139.4
Population Change 2000-2010 (%)	4.0	3.5	4.9	0.7
Median Home Value (2010 Census)	\$1,000,001	\$779,700	\$556,400	1,000,000+
Median Gross Rent (2010 Census)	\$1,580	\$1,442	\$1,296	\$1,583
County Annual Unemployment Rate (BLS Data, %)	4.2	4.5	5.2	6.7
Financial Data : Debt Statistics & Ratios				
Operating Revenues (\$000)	\$73,682	\$91,511	\$99,867	N/A
Fund Balance as a % of Revenues	37.2	35.2	25.3	N/A
Cash Balance as a % of Revenues	39.4	36.9	26.9	N/A
Basic Aid	Yes	Yes/No	No	No
Financial Data : Pension Statistics and Ratios				
Net Direct Debt (\$000)	\$155,191	\$129,931	\$72,721	\$214,120 ⁽²⁾
Net Direct Debt/Operating Revenues (x)	1.4	1.7	0.9	N/A
Net Direct Debt/Full Value (%)	2.5	2.2	2.6	0.6

(1) Sources: California Municipal Statistics, Inc., U.S. Census Bureau, 2010 Census, U.S. Census Bureau, 2010-2014 American Community Survey 5-Year estimates, and Bureau of Labor Statistics.

(2) Assumes pro-rata split of outstanding debt based on 2016-17 AV shown on page two.

Rating Analysis - MUSD

The columns below represent Moody's rating medians for Aaa, Aa1 and Aa2

General Entity Information				MUSD ⁽¹⁾
Current Senior Most Rating	Aaa	Aa1	Aa2	
Financial Data : Tax Base Statistics and Ratios				
Total Full Value (\$000)	\$26,557,665	\$19,972,508	\$11,779,405	\$16,751,190
Full Value Per Capita (\$)	\$347,154	\$244,205	\$139,835	\$1,305,627
Average Annual Increase in Full Value (%)	4.2	2.8	1.7	7.5
Financial Data : Demographic Statistics				
Actual/Estimated Population, Annual Value	74,066	N/A	430,000	12,830
Population 2010 Census	60,630	85,145	80,653	12,645
Per Capita Income (2010 Census)	\$61,586	\$45,819	\$33,507	\$95,212
Per Capita Income as % of State (2010 Census)	211.0	157.0	114.8	318.4
Per Capita Income as % of U.S. (2010 Census)	225.3	167.6	122.5	333.4
Median Family Income (2010 Census)	\$123,573	\$107,125	\$88,963	\$130,432
Median Family Income as % of State (2010 Census)	178.2	154.5	128.3	212.1
Median Family Income as % of U.S. (2010 Census)	196.2	170.1	141.2	243.9
Population Change 2000-2010 (%)	4.0	3.5	4.9	6.4
Median Home Value (2010 Census)	\$1,000,001	\$779,700	\$556,400	1,000,000+
Median Gross Rent (2010 Census)	\$1,580	\$1,442	\$1,296	2,000+
County Annual Unemployment Rate (BLS Data, %)	4.2	4.5	5.2	6.7
Financial Data : Debt Statistics & Ratios				
Operating Revenues (\$000)	\$73,682	\$91,511	\$99,867	N/A
Fund Balance as a % of Revenues	37.2	35.2	25.3	N/A
Cash Balance as a % of Revenues	39.4	36.9	26.9	N/A
Basic Aid	Yes	Yes/No	No	Yes
Financial Data : Pension Statistics and Ratios				
Net Direct Debt (\$000)	\$155,191	\$129,931	\$72,721	\$108,155 ⁽²⁾
Net Direct Debt/Operating Revenues (x)	1.4	1.7	0.9	N/A
Net Direct Debt/Full Value (%)	2.5	2.2	2.6	0.6

(1) Sources: California Municipal Statistics, Inc., U.S. Census Bureau, 2010 Census, U.S. Census Bureau, 2010-2014 American Community Survey 5-Year estimates, and Bureau of Labor Statistics.

(2) Assumes pro-rata split of outstanding debt based on 2016-17 AV shown on page two.

Summary of Measure ES

On November 6, 2012, SMMUSD was authorized by voters to issue \$385 million of general obligation bonds under Proposition 39

- ◆ Passed with a 68.06% affirmative vote
 - 55% voter approval required
- ◆ Estimated tax rate of \$30 per \$100,000 of AV
 - Proposition 39 legal maximum: \$60 per \$100,000 of AV

The District has issued two series under Measure ES

- ◆ On August 13, 2014, SMMUSD issued Series A for \$30 million
- ◆ On July 7, 2015, SMMUSD issued Series B for \$60 million
- ◆ Measure ES tax rates:
 - Fiscal year 2013-14: \$26.49 per \$100,000 of AV
 - Fiscal year 2014-15: \$27.96 per \$100,000 of AV
 - Fiscal year 2015-16: \$27.37 per \$100,000 of AV
 - Fiscal year 2016-17: \$25.57 per \$100,000 of AV

Section II

Bond Scenarios

Scenario 1 - SMMUSD

SMMUSD can access the remaining \$295 million in Measure ES authorization by 2023 using all current interest bonds (“CIBs”) under the below assumptions

◆ **Assumptions:**

- Interest rates: 5.25% - 6.75% ⁽¹⁾
- Annual AV growth rates:
 - 2017-18: 3.00%
 - Thereafter: 4.00%
- Secured AV delinquency: 5.0%

Illustrative Issuance Schedule ⁽²⁾

Issue	Issue Date	Proceeds	Interest Rate Assumption	% CABs	Estimated Repayment Ratio	Estimated Santa Monica USD Debt Service	Estimated Malibu USD Debt Service	Estimated Total Debt Service
Series A	August 2014	\$ 30,000,000	3.50 %	0.00 %	1.21 to 1	\$ 24,120,096	\$ 12,184,935	\$ 36,305,031 ⁽³⁾
Series B	July 2015	60,000,000	3.77	0.00	1.54 to 1	61,578,420	31,108,045	92,686,465 ⁽³⁾
Series C	July 2017	73,750,000	5.25	0.00	1.74 to 1	85,375,567	43,129,833	128,505,400
Series D	July 2019	73,750,000	5.75	0.00	1.91 to 1	93,349,443	47,158,057	140,507,500
Series E	July 2021	73,750,000	6.25	0.00	2.06 to 1	100,761,151	50,902,286	151,663,438
Series F	July 2023	73,750,000	6.75	0.00	1.93 to 1	94,358,236	47,667,676	142,025,913
Total		\$ 385,000,000		0.00 %	1.80 to 1	\$ 459,542,915	\$ 232,150,832	\$ 691,693,746

(1) Assumes higher than market interest rates of a ‘Aa1/AA’ district.

(2) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District’s project needs.

(3) Previously issued financing.

Scenario 2 – Unification/SM & Malibu Split ES Proceeds Pro-Rata

Santa Monica USD and Malibu USD can access the remaining \$295 million; proceeds are split according to assessed value ratios

◆ Assumptions:

- Interest rates:
 - Malibu USD: 5.20% - 6.70% ⁽¹⁾
 - Santa Monica USD: 5.30% - 6.80% ⁽¹⁾
- Annual AV growth rates:
 - 2017-18: 3.00%
 - Thereafter: 4.00%
- 100% CIBs

Illustrative Issuance Schedule ⁽²⁾

Issue	Issue Date	Total Proceeds	Santa Monica USD				Malibu USD				Estimated Total Debt Service
			Proceeds ⁽³⁾	Interest Rate Assumption	Estimated Repayment Ratio	Estimated Debt Service ⁽³⁾	Proceeds ⁽³⁾	Interest Rate Assumption	Estimated Repayment Ratio	Estimated Debt Service ⁽³⁾	
Series A	August 2014	\$ 30,000,000	\$ 19,931,202	3.50 %	1.21 to 1	\$ 24,120,096	\$ 10,068,798	3.50 %	1.21 to 1	\$ 12,184,935	\$ 36,305,031 ⁽⁴⁾
Series B	July 2015	60,000,000	39,862,403	3.77	1.54 to 1	61,578,420	20,137,597	3.77	1.54 to 1	31,108,045	92,686,465 ⁽⁴⁾
Series C	July 2017	73,750,000	48,997,537	5.30	1.75 to 1	85,776,470	24,752,463	5.20	1.71 to 1	42,203,800	127,980,270
Series D	July 2019	73,750,000	48,997,537	5.80	1.92 to 1	93,860,320	24,752,463	5.70	1.86 to 1	45,951,720	139,812,040
Series E	July 2021	73,750,000	48,997,537	6.30	2.03 to 1	99,508,990	24,752,463	6.20	1.99 to 1	49,338,890	148,847,880
Series F	July 2023	73,750,000	48,997,537	6.80	2.01 to 1	98,653,260	24,752,463	6.70	2.04 to 1	50,392,860	149,046,120
Total		\$ 385,000,000	\$ 255,783,753		1.81 to 1	\$ 463,497,557	\$ 129,216,247		1.79 to 1	\$ 231,180,249	\$ 694,677,806

(1) Assumes higher than market interest rates of 'Aaa/AA+' for Malibu USD and 'Aa2/AA-' for Santa Monica USD.

(2) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District's project needs.

(3) Proceeds and debt service based on the pro-rata split shown on page two.

(4) Previously issued financing.

Scenario 3 – Unification/SM Issues All Remaining Proceeds/No Malibu on Series A & B

Santa Monica USD can access the remaining \$295 million Measure ES authorization by 2029 using CIBs and capital appreciation bonds (“CABs”) under the below assumptions

◆ **Assumptions:**

- Malibu USD does not pay any future debt service on Series A and Series B
- Interest rates: 5.30% - 6.80% ⁽¹⁾
- Annual AV growth rates:
 - 2017-18: 3.00%
 - Thereafter: 4.00%
- Secured AV delinquency: 5.0%

Illustrative Issuance Schedule ⁽²⁾

Issue	Issue Date	Proceeds	Interest Rate Assumption	% CABs	Estimated Repayment Ratio	Estimated Santa Monica USD Debt Service	Estimated Malibu USD Debt Service	Estimated Total Debt Service
Series A	August 2014	\$ 30,000,000	3.50 %	0.00 %	1.21 to 1	\$ 29,535,063	\$ 6,769,968 ⁽³⁾	\$ 36,305,031 ⁽⁴⁾
Series B	July 2015	60,000,000	3.77	0.00	1.54 to 1	88,377,922	4,308,543 ⁽³⁾	92,686,465 ⁽⁴⁾
Series C	July 2017	59,000,000	5.30	10.05	2.02 to 1	119,274,360	-	119,274,360
Series D	July 2020	59,000,000	5.80	15.52	2.33 to 1	137,349,820	-	137,349,820
Series E	July 2023	59,000,000	6.30	19.76	2.58 to 1	152,059,145	-	152,059,145
Series F	July 2026	59,000,000	6.80	23.87	2.87 to 1	169,550,740	-	169,550,740
Series G	July 2030	59,000,000	6.80	50.69	3.49 to 1	205,616,060	-	205,616,060
Total		\$ 385,000,000		18.37 %	2.37 to 1	\$ 901,763,110	\$ 11,078,511	\$ 912,841,621

(1) Assumes higher than market interest rates of a ‘Aa2/AA-’ district.

(2) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District’s project needs.

(3) Estimated debt service paid on issued bonds through 7/1/2016.

(4) Previously issued financing.

Scenario 4 – Unification/SM Issues All Remaining Proceeds; Malibu Pays Pro-Rata on Series A & B

Santa Monica USD can access the remaining \$295 million Measure ES authorization by 2029 using CIBs and CABs under the below assumptions

◆ **Assumptions:**

- Malibu USD pays future pro-rata debt service on Series A and Series B
- Interest rates: 5.30% - 6.80% ⁽¹⁾
- Annual AV growth rates:
 - 2017-18: 3.00%
 - Thereafter: 4.00%
- Secured AV delinquency: 5.0%

Illustrative Issuance Schedule ⁽²⁾

Issue	Issue Date	Proceeds	Interest Rate Assumption	% CABs	Estimated Repayment Ratio	Estimated Santa Monica USD Debt Service	Estimated Malibu USD Debt Service	Estimated Total Debt Service
Series A	August 2014	\$ 30,000,000	3.50 %	0.00 %	1.21 to 1	\$ 24,120,096	\$ 12,184,935	\$ 36,305,031 ⁽³⁾
Series B	July 2015	60,000,000	3.77	0.00	1.54 to 1	61,578,420	31,108,045	92,686,465 ⁽³⁾
Series C	July 2017	59,000,000	5.30	7.91	1.92 to 1	113,089,945	-	113,089,945
Series D	July 2020	59,000,000	5.80	4.85	1.98 to 1	116,777,690	-	116,777,690
Series E	July 2023	59,000,000	6.30	15.93	2.33 to 1	137,189,385	-	137,189,385
Series F	July 2026	59,000,000	6.80	22.46	2.70 to 1	159,377,920	-	159,377,920
Series G	July 2029	59,000,000	6.80	44.78	3.20 to 1	189,033,000	-	189,033,000
Total		\$ 385,000,000		15.95 %	2.26 to 1	\$ 801,166,457	\$ 43,292,979	\$ 844,459,436

(1) Assumes higher than market interest rates of a 'Aa2/AA-' district.

(2) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District's project needs.

(3) Previously issued financing.

Feasibility Analysis of Proposed Santa Monica- Malibu Unified School District Reorganization

Ann Hern
07.16.2015

WestEd — a national nonpartisan, nonprofit research, development, and service agency — works with education and other communities to promote excellence, achieve equity, and improve learning for children, youth, and adults. WestEd has 17 offices nationwide, from Washington and Boston to Arizona and California, with its headquarters in San Francisco. For more information about WestEd, visit WestEd.org; call 415.565.3000 or, toll-free, (877) 4-WestEd; or write: WestEd / 730 Harrison Street / San Francisco, CA 94107-1242.

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Executive Summary

This report, prepared by WestEd as consultant to the Advocates for Malibu Public Schools (AMPS), provides an updated assessment on the feasibility of reorganizing the current Santa Monica-Malibu Unified School District into two unified school districts following city/community demarcations for the areas of Malibu and Santa Monica. This analysis is organized around the nine criteria set forth in Education Code addressing issues of identity, program, and fiscal viability of reorganization proposals.

Based on the updated analysis, and known facts as they stand, this review concludes that the reorganization of the Santa Monica-Malibu Unified School District into two unified school districts meets statutory state criteria for reorganization with all nine criteria being substantially met.

The Petition and Review Process

California Education Code Section 35700 prescribes a process by which the electorate (e.g., community members, local school boards, property owners) can initiate a petition or recommendation to reorganize a school district. The options to file a petition with the County Superintendent of Schools include:

- Petition signed by 25 percent of registered voters in the inhabited territory proposed to be reorganized; or
- Petition signed by the owner(s) of uninhabited territory; or
- Petition signed by governing board(s) of all affected districts.

Additionally, California Education Code Section 35721 prescribes the process by which the County Committee on School District Organization (SDO) can receive petitions which include:

- Petition signed by at least 10 percent of the qualified electors residing in any district for a consideration or other reorganization of any area
- Petition by at least 5 percent of the qualified electors residing in a school district with over 200,000 pupils in average daily attendance in which the petition is to reorganize the district in two or more districts; or
- Resolution approved by a majority of the members of a city council, county board of supervisors, governing body of a special district, or local agency formation commission that has jurisdiction over all or a portion of the school district for consideration of unification or other reorganization of any area

Appendix A includes an excerpt from the California Department of Education District Organization Handbook which depicts flow charts that outline the steps for these processes.

The School District Organization's Role

Under Education Code Sections 35706 and 35707, the SDO must present the State Board of Education (SBE) with a recommendation on whether or not to approve the petition, based in part on whether the proposed change “would adversely affect the school district organization of the county.” In order to formulate a recommendation, the SDO must apply nine criteria laid out in Education Code Section 35753. In transmitting its recommendation, the SDO must also present the SBE with its votes on whether the petition satisfies each of the nine criteria. The SDO may offer the SBE advice on the voting areas for the petition, should the SBE approve it. It is important to note that Education Code Section 35710 outlines criterion under which the SDO may approve the petition and notify the county superintendent who shall call an election.

The State Board of Education's Role

While the SDO must apply certain criteria as identified in the Education Code, the SBE enjoys more flexibility in its analysis. While the SBE must apply the same nine criteria listed in Education Code Section 35753, it may determine that the criteria could not be possibly or practically applied to the situation or that exceptional circumstances exist “sufficient to justify approval of the proposals” (Education Code Section 35753). The SBE may also, by regulation, choose to apply additional criteria.

The SBE determines the election area if it approves the petition for public vote. Several past court cases, including Board of Supervisors of Sacramento County, et al., v. Local Agency Formation Commission (LAFCO) (1992) (3 Cal. 4th 903), guide the SBE in its decision. This issue will be addressed in greater detail at the end of this report.

Before the SBE meets to make any of the above decisions, the SBE holds additional public hearings and the California Department of Education (CDE) prepares extensive reports for the SBE's review. Following several months of research, the CDE summarizes the key issues and any previous action on the agenda item and then further analyzes the nine criteria's application to this proposal. The SBE's review process has taken up to nine months.

Report Purpose and Limitations

This report assesses the feasibility of reorganizing the current Santa Monica-Malibu Unified School District into two unified school districts following city/community demarcations for the areas of Malibu and Santa Monica. This analysis is organized around the nine criteria set forth in Education Code Section 35753 and California Code of Regulations (CCR), Title 5, Section 18573, which specifically address the nine criteria as well as specific elements to use in applying the

criteria. In addition, the SDO Handbook¹ further explores the criteria and their respective elements, and should serve as a key resource for the County Committee.

Data is Time-specific

The most current available data was used to complete this analysis. In most cases, 2014-15 Estimated Actuals data was used to complete the fiscal analysis. Data related to school demographics and academic performance was generally from the 2014-15 and 2012-13 school year, but when such data was unavailable, data from the most recent available year was used.

It is to be expected that some numbers will change as actual data rather than projections become available. However, we do not expect final data to have any material differences from the information that was used for this analysis and do not foresee any changes in the conclusions reached in the analysis.

Source of Data

This analysis is based primarily on data that was provided by the Santa Monica-Malibu Unified School District (District). To adequately address certain criteria, this analysis also relied on other collected data and collaboration with the District. For the purpose of this analysis, the general assumption is that the data provided to WestEd was valid and complete. If there was uncertainty about the validity or completeness of data, it was independently verified or not used. The sources of data used in the analysis are identified at the end of each section.

Frame of Reference

This analysis is generally based on fiscal information and data from the 2013-14 and 2014-15 school year. According to Education Code, the final calculations of the adjusted Local Control Funding Formula (LCFF) revenue will be based upon data from P2 data from one year prior to the reorganization. Depending upon the decision as to whether or not a petition will be filed with the County Superintendent of Schools, the actual timing of the process is dependent on how long it takes the SBE to reach a decision about the feasibility of the petition. The petition – if approved by voters – would not go into effect until the 2016-17 school year at the earliest. This is a rather optimistic estimate given that the SBE generally takes approximately nine months to review petitions. If the SBE agrees to the reorganization, it must be brought before voters and approved before the change could occur. Under this scenario, it may be more reasonable to expect a 2017-18 school year implementation. If this will be the case, data from 2016-17 will be the basis for the calculation of LCFF revenue. The findings based on the 2013-14 and 2014-15 data are nonetheless

¹ The *School District Organization Handbook* was approved by the California State Board of Education and written by the California County Superintendents Educational Services Association and the School Business Services Division of the California Department of Education in 1998.

relevant because they provide a basis for understanding trends and effects resulting from the proposed reorganization.

Criterion 1: Adequate Enrollment

The new districts will be adequate in terms of number of pupils enrolled.
- Education Code Section 35753(a)(1)

It is the intent of the State Board that direct service districts not be created that will become more dependent upon county offices of education and state support unless unusual circumstances exist. Therefore, each district affected must be adequate in terms of numbers of pupils, in that:

- (A) Each such district should have the following projected enrollment on the date that the proposal becomes effective or any new district becomes effective for all purposes:

Elementary District	901
High School District	301
Unified District	1,501
- (B) The analysis shall state whether the projected enrollment of each affected district will increase or decline and the extent thereof.
- California Code of Regulations, Title 5, Section 18573(a)(1)

Description

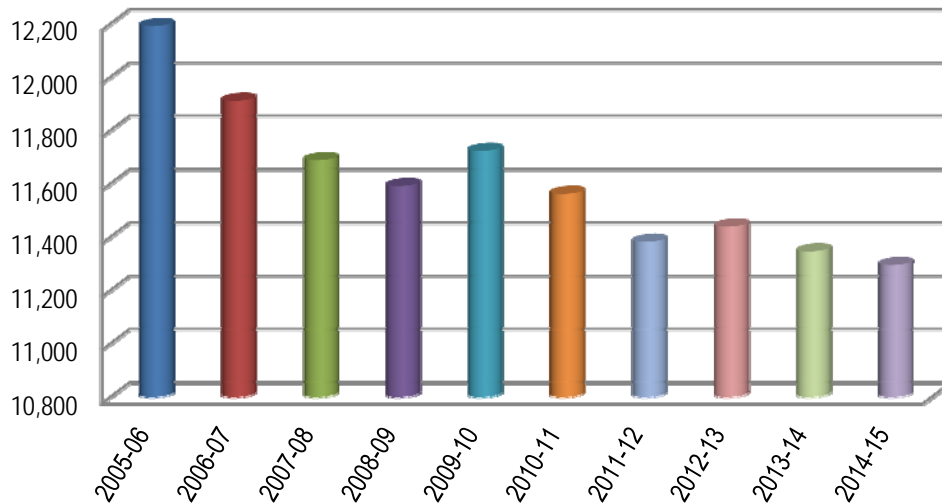
This criterion requires consideration of the current enrollment level, historic trends, and projections. Currently, the District does not allow open enrollment for its students within the district, but does allow intradistrict transfers on a case-by-case basis. While there are students from within the Santa Monica attendance area that attend schools in Malibu, as well as students from the Malibu attendance area attending schools in Santa Monica, the exact number of students on intradistrict transfers was not available for use in this analysis. Additionally, there are students attending District schools from other district areas via interdistrict transfers. For the purpose of this analysis, we assume that such interdistrict transfers would continue and would not have a significant impact.

If reorganization occurs, transfer policies would be at the discretion of the new governing boards. Students that wish to attend schools outside their attendance area boundary would need to apply for an interdistrict transfer and the approval of the transfers would be at the discretion of the governing board of the district to which they apply.

Analysis

Analysis under this criterion includes consideration of enrollment based on current data, opportunities for growth in the area, and any factors that could affect future enrollment. As shown in Figure 1, the District has a trend of declining enrollment for the past eight years, with the exception of 2009-10 when the District saw enrollment increase by 132 students.

Figure 1: Enrollment Santa Monica-Malibu Unified School District 2003-2004 through 2014-15



Source: California Department of Education, DataQuest

The District is forecasting that enrollment will decline slightly in both 2015-16 and 2016-17; this is a reasonable assumption based on prior trends. The District continues to have a kindergarten cohort that is smaller than the grade 12 cohort, which results in a year-over-year decline until such a time that the kindergarten and 12 grade cohorts are of equal size or there is enough growth in other grades to equalize or exceed the loss of students.

Proposed Malibu Unified School District

The state expects that reorganizations will not result in districts it deems too small to be efficient; unified school district enrollment must at least have 1,501 students or more. The enrollment of students attending schools within the attendance boundaries of Malibu is estimated to be approximately 1,886 based on 2014-15 California Basic Educational Data System (CBEDS) and therefore would be sufficient to meet the standard. For the purpose of this analysis, it is presumed that the proposed Malibu Unified School District's attendance area will include the City of Malibu plus the unincorporated areas of Los Angeles County that are currently included in the District's boundaries.

Proposed Santa Monica Unified School District

If the proposed reorganization occurs, the enrollment of the Santa Monica Unified School District would surpass the minimum 1,501 student standard with its approximate enrollment of 9,409.

Limited Opportunity for Short-term Growth

Environmental constraints and infrastructure limitations limit the opportunity for short-term growth. Additionally, population trends noted in the 2010 Census for the City of Malibu reflect that declining enrollment for the proposed Malibu Unified School District will likely continue. The percentage of households in the City of Malibu with children under the age of 18 is 26.2

percent compared to 32.2 percent for Los Angeles County. The City of Malibu 2013-2021 Housing Element Report notes that there have been 130 units of new construction in the City of Malibu during the period of 2006-2013, which is a low growth rate.

The City of Santa Monica has the constraint of limited vacant land for new single family homes; and the majority of the 583 housing units that have been completed between January 2008 and June 2014 are multi-family dwellings. The percentage of households in the City of Santa Monica with children under the age of 18 is 16.2 percent, compared to 32.2 percent for Los Angeles County, and will contribute the projected decline in student enrollment for the proposed Santa Monica Unified School District.

In general, any shifts in school-age population between the two new districts will likely be minor and would not drive either of the district's enrollments below the standard. Other potential population or enrollment swings, such as the opening or closing of a private school in the area, while difficult to predict, are unlikely to change the ability of the resulting districts to meet the state's criteria.

Conclusions

Under state law, when school districts reorganize, the resulting districts should meet minimum enrollment standards. Assuming no drastic or unexpected change in the population of students attending public schools in Malibu and Santa Monica, both districts will meet the enrollment standards. Therefore, the proposed reorganization would meet this criterion.

Sources Consulted

- California Department of Education's California Basic Educational Data System
- Enrollment data provided by Santa Monica-Malibu Unified School District student data system
- 2013-2021 City of Malibu Housing Element Report
- 2013-2021 City of Santa Monica Housing Element Report
- United States Census Bureau 2010 Census

Criterion 2: Community Identity

The districts are each organized on the basis of a substantial community identity.
- Education Code Section 35753(a)(2)

To determine whether the new district is organized on the basis of substantial community identity, the State Board of Education will consider the following criteria:

- Isolation
- Geography
- Distance between social centers
- Distance between school centers
- Topography
- Weather
- Community, school, and social ties, and other circumstances distinctive about the area.

- California Code of Regulations, Title 5, Section 18573(a)(2)

Description

Education Code requires that districts be organized “on the basis of a substantial community identity.” The CCR addresses specific aspects, each of which is analyzed briefly below. These specific aspects include isolation and geography; topography and weather; distance between social and school centers; community, school, and social ties; and other circumstances distinctive about the area. In addition, the SDO Handbook cites factors such as traffic and shopping patterns; recreation, sports and park usage patterns; city council activity; and architecture as important in identifying community identity.

Analysis

Isolation and Geography

The City of Santa Monica is located on the western oceanfront edge of Los Angeles County at the crossroads of the Pacific Coast Highway and Interstate 10 and is bordered by the City of Los Angeles on the east and north. With just 8.3 square miles of land, it is one of the most densely populated urban areas in the state. Given the relatively compact area, as compared to much larger and/or rural districts in the state, little of the Santa Monica area could be considered isolated. All populated areas of the city lie within several miles of shopping, parks, and major transportation routes as well as the area’s public schools.

The City of Malibu also lies on the oceanfront edge of Los Angeles County. The city is bordered by unincorporated Los Angeles County to the north and west; the city of Los Angeles and Pacific

Palisades to the east; and the Pacific Ocean to the south. The Pacific Coast Highway runs east-west through the city and is the major ingress to and egress from the city. The city has nearly 20 square miles of land and has a relatively low population density, providing for a relatively rural atmosphere. However, the majority of the city's populated areas lie within several miles of shopping, parks, and major transportation routes as well as the area's public schools.

Topography and Weather

There would be no significant changes in the topography as a result of the proposed reorganization. This is based on the presumption that there will be no changes to the current attendance areas for students attending schools located in Santa Monica. In other words, the city limits of the City of Santa Monica will become the boundary for the Santa Monica Unified School District. Likewise, the city limits of Malibu plus the unincorporated areas of Los Angeles County that are currently included within the attendance areas served by school locations in Malibu will become the boundary for the Malibu Unified School District. Due to the proximity of both areas being discussed, weather patterns do not differ greatly across the area.

Distance Between School and Social Centers

The relative distances between school and social centers do not impose a major impediment to residents of either city because there are no changes proposed to the attendance areas that currently serve each city.

The same rationale can be applied to the children's activities and community life, athletics, recreation, and other extracurricular activities as well as to activities such as Boy Scouts and Girl Scouts, which are dependent on individual neighborhoods, schools, or religious organizations.

Conclusion

The two areas are not contiguous geographic areas. It appears based on materials and information reviewed that the two areas, the City of Santa Monica and the City of Malibu, are distinctly separate communities with their own character and identity. This viewpoint includes educational and youth activities as students typically attend schools and participate in activities within their neighborhood areas.

Sources Consulted

- Local organization's written materials and web sites
- Local government agencies' written materials and web sites

Criterion 3: Equitable Property and Facility Division

The proposal will result in an equitable division of property and facilities of the original district or districts.
- Education Code Section 35753(a)(3)

To determine whether an equitable division of property and facilities will occur, the Department will determine which of the criteria authorized in Education Code Section 35736 shall be applied. It shall also ascertain whether the affected school districts and the county office of education are prepared to appoint the committee described in Education Code Section 35565 to settle disputes arising from such division of property.

- California Code of Regulations, Title 5, Section 18573(a)(3)

When a school district is reorganized, both of the following shall apply:

(a) When the allocation of funds, property, and obligations is not fixed by terms, conditions, or recommendations as provided by law, the funds, property, and obligations of a former district, except for bonded indebtedness, shall be allocated as follows:

(1) The real property and personal property and fixtures normally situated thereat shall be the property of the district in which the real property is located.

(2) All other property, funds, and obligations, except bonded indebtedness, shall be divided pro rata among the districts in which the territory of the former district is included. The basis for the division and allocation shall be the assessed valuation of the part of the former district which is included within each of the districts.

(b) Any qualified special taxes may continue to be imposed pursuant to Section 50079.2 of the Government Code.

Education Code Section 35560

... In providing for this division, the plans and recommendations may consider the assessed valuation of each portion of the district, the revenue limit per pupil in each district, the number of children of school age residing in each portion of the district, the value and location of the school property, and such other matters as may be deemed pertinent and equitable.

- Education Code Section 35736

Any funds derived from the sale of the school bonds issued by the former district shall be used for the acquisition, construction, or improvement of school property only in the territory which comprised the former district or to discharge bonded indebtedness of the former district, except that if the bonded indebtedness is assumed by the new district, the funds may be used in any area of the new district for the purposes for which the bonds were originally voted for

- Education Code Section 35561

If a dispute arises between the governing boards of the districts concerning the division of funds, property, or obligations, a board of arbitrators shall be appointed which shall resolve the dispute...

- Education Code Section 35565

Description

Assessing this criterion requires consideration of the proposed reorganization's impact on the division of real and personal property and bonded indebtedness. If two new districts formed from the existing District, the real property and personal property and fixtures normally situated in the school sites within the new school district boundaries would belong to the resulting districts. All other property, funds, and obligations (except bonded indebtedness) must be divided pro rata between the impacted districts.

Education Code Section 35736 allows the County Committee to recommend, and the SBE to employ, a variety of methods to equitably divide the remaining property and funds—including assessed valuation, average daily attendance (ADA), value and location of property, or other equitable means.

Analysis

Since the passage of Proposition 13, a common method for dividing property is by ADA. Based on data from the District's 2014-15 CBEDS enrollment and attendance data, the proportional ADA allocation methodology would result in the transfer of approximately 16.7 percent of the assets and liabilities of the Santa Monica-Malibu Unified School District to the Malibu Unified School District and 83.3 percent to the Santa Monica Unified School District. Table 1 provides an overview of the financial impact reorganization would have upon the division of assets and liabilities based on the listed methods.

Table 1: Asset and Liability Distribution

2013-14 Unaudited Actuals	Basis of Division	Total	% Applied*	MUSD	% Applied	SMUSD
General Fund	ADA	\$ 27,277,414	16.70%	\$ 4,555,328	83.30%	\$ 22,722,086
Adult Education	ADA	\$ 318,904	16.70%	\$ 53,257	83.30%	\$ 265,647
Child Development	ADA	\$ 28,244	16.70%	\$ 4,717	83.30%	\$ 23,527
Cafeteria Special Revenue	ADA	\$ 51,883	16.70%	\$ 8,664	83.30%	\$ 43,219
Deferred Maintenance	ADA	\$ 131,941	16.70%	\$ 22,034	83.30%	\$ 109,907
Building Fund	ADA	\$ 65,647,802	16.70%	\$ 10,963,183	83.30%	\$ 54,684,619
Capital Facilities	ADA	\$ 8,861,921	16.70%	\$ 1,479,941	83.30%	\$ 7,381,980
Special Reserve for Capital Outlay	ADA	\$ 8,920,535	16.70%	\$ 1,489,729	83.30%	\$ 7,430,806
Bond Interest and Redemption	Assessed Valuation	\$ 33,773,115	33.60%	\$ 11,347,767	66.40%	\$ 22,425,348
GASB 45	ADA	\$ (5,494,232)	16.70%	\$ (917,537)	83.30%	\$ (4,576,695)
<i>Total Assets</i>		\$ 139,517,527		\$ 28,027,663		\$ 111,489,864
General Obligation Bonds**	Assessed Valuation	\$ 327,589,226	33.60%	\$ 110,069,980	66.40%	\$ 217,519,246
Compensated Absences	ADA	\$ 916,886	16.70%	\$ 153,120	83.30%	\$ 763,766
Post Employ. Benefits	ADA	\$ 8,786,641	16.70%	\$ 1,467,369	83.30%	\$ 7,319,272
COP Payable	ADA	\$ 16,902,731	16.70%	\$ 2,822,756	83.30%	\$ 14,079,975
Capital Leases	ADA	\$ 92,802	16.70%	\$ 15,498	83.30%	\$ 77,304
<i>Total Liabilities</i>		\$ 354,288,286		\$ 105,028,635		\$ 249,259,651

**The ADA percentage is an estimate and will need to be adjusted based on confirmation of interdistrict and intradistrict transfers and enrollment of the Santa Monica Alternative Schoolhouse.*

*** This amount does not include the issuance of \$30 million Measure ES bonds in August 2014.*

Source: 2013-14 Unaudited Actuals and 2013-14 External Audit

Property Tax Revenue

The distribution of property tax revenue as a result of school district reorganization is determined pursuant to Section 99 of the Revenue and Taxation Code. The county assessor is required to notify the county auditor of the assessed valuation of the territories. The county auditor then estimates the amount of property tax revenue generated in the territories and notifies the school districts' governing boards of this amount. The governing boards of the districts must negotiate property tax exchange within 60 days of receiving notification from the county auditor or the County Board of Education determines the exchange.

In almost all cases, the tax revenue generated by the territory within the new district's boundaries is transferred to the district receiving the territory. However, Section 99 of the Revenue and Taxation Code stipulates that the division of property tax revenues is subject to negotiation.

Bonded Indebtedness

In November 1998 and November 2006, voters approved general obligation bond measures, which authorized the District to issue and sell \$42 million and \$268 million, respectively, in general obligation bonds. Voters also approved Measure ES in November 2012, which authorized the District to issue and sell \$385 million in general obligation bonds. In addition to these three bond measures, the District issued Refunding Bonds in 1998 and 2006. Table 2 shows the dates, amounts, type of issuance, and outstanding principal amount for each of the District's bonds.

Table 2: Bonded Debt

Issue Date	Maturity Date	Original Issue	Bonds Outstanding (August 2014)
June 18, 1998	August 1, 2018	\$ 68,145,000	\$ 22,550,000
May 26, 1999	August 1, 2023	\$ 38,000,034	\$ 42,782,063
February 23, 2006	August 1, 2025	\$ 3,285,000	\$ 2,730,000
October 2, 2007	August 1, 2032	\$ 60,000,000	\$ 2,890,000
July 23, 2009	August 1, 2019	\$ 11,875,000	\$ 7,065,000
July 23, 2009	August 1, 2034	\$ 48,125,000	\$ 48,125,000
July 14, 2010	July 1, 2023	\$ 10,690,000	\$ 9,675,000
July 14, 2010	July 1, 2035	\$ 54,310,000	\$ 54,310,000
January 8, 2013	August 1, 2032	\$ 45,425,000	\$ 45,215,000
March 19, 2013	July 1, 2037	\$ 82,995,327	\$ 80,039,695
August 13, 2014	July 1, 2037	\$ 30,000,000	\$ 30,000,000
Total			\$ 345,381,758

Source: 2013-14 External Audit and Standard and District provided data

As shown in Table 2, as of August 2014, the District had nearly \$345.4 million in outstanding bond debt. Generally, outstanding bonded indebtedness is divided between the newly formed districts based on assessed valuation ratio. Based on this methodology and using the property values for the incorporated areas only, approximately 33.6 percent of the outstanding bonded indebtedness would transfer to the Malibu Unified School District and the remaining 66.4 percent would transfer to the Santa Monica Unified School District (see Table 3). Additionally, Education Code section 35738 gives authority to divide bonded indebtedness using methodologies other than assessed valuation and expenditures on acquisitions/improvement to facilities for the purpose of providing greater equity in the division.

The outstanding bond debt should be considered in relation to the net bonding capacity of the districts created by the proposed reorganization. Unified school districts are limited in their bonding capacity by Education Code 15270 which states that unified school districts may not exceed 2.5 percent of the taxable property of the district as shown by the last equalized assessment of the county or counties in which the district is located.

Table 3 reflects potential bonding capacity based on utilizing assessed value to allocate bonded indebtedness. As noted above, the assessed valuation allocation results in 33.6 percent of the current incorporated assessed value allocated to Malibu Unified School District and 66.4 percent to Santa Monica Unified School District. As there is no territory increase or decrease proposed in the reorganization, the assumption is that the assessed valuation amounts included in Table 3 will not materially change the bonding capacity of the new districts.

Table 3: Bonding Capacity

Bonding Capacity	Current Capacity	New Capacity	New Capacity
	SMMUSD	SMUSD	MUSD
Assessed Value	\$ 43,753,165,615	\$ 29,045,598,823	\$14,707,566,792
Bonding Capacity (AV x 2.5%)	\$ 1,093,829,140	\$ 726,139,971	\$ 367,689,170
Outstanding Bonds	\$ 345,381,758	\$ 239,349,558	\$ 106,032,200
Net Bonding Capacity	\$ 748,447,382	\$ 486,790,412	\$ 261,656,970

**Current District boundaries include un-incorporated areas of Los Angeles County; the value of properties contained in the un-incorporated area is included in Table 3.*

Sources: District’s 2013-14 External Audit Report and District provided data

Unspent Bond Proceeds

As noted in Table 1, the Building Fund reflects an ending fund balance of \$65.7 million as of June 30, 2014, with a recommended method of allocation of ADA. To the extent that bond funded projects are either currently underway or are planned in the near future; it is likely that the current balance will be expended by the time the reorganization process is complete. In the event that the SMUSD Board approves an additional series of Measure ES bonds, an allocation methodology other than the recommendation in Table 1 can be considered. Specifically, Education Code 35736 allows the County Committee to recommend, and the SBE to employ, a variety of methods to equitably divide the remaining property and funds—including assessed valuation, ADA, value and location or property, or other equitable means.

Litigation

The District has current and potential litigation that could affect future liabilities. The scope of this report does not offer any qualified analysis on litigation other than to recommend that further in-depth analysis and investigation be conducted by the District and AMPS and their legal councils to determine current and future responsibility for claims, settlements, and liabilities.

Other Considerations

Currently the District’s District Office, Maintenance and Operation base, are located in the city of Santa Monica. Additionally, there is a Transportation Yard in Santa Monica and a bus barn in Malibu. Should the reorganization occur, some of these sites would become the property of the Santa Monica Unified School District. This would require that the Malibu Unified School District find new accommodations for the displaced offices and service bases. Additionally, there are likely other facility needs that will result from programmatic needs related to the reorganization. This issue will be discussed in detail under Criterion 6.

Conclusion

There are no identified reasons to conclude that property will not be divided in an equitable manner should the reorganization be approved. Using ADA as the basis for dividing property seems reasonable and appropriate. However, the districts should use assessed valuation to divide

the Bond Interest and Redemption fund balance, property taxes, and potentially outstanding bond indebtedness.

Based on the Santa Monica-Malibu Unified School District Financial Oversight Committee February 2015 and July 2015 Memorandums, it appears that the Malibu Unification Bond Subcommittee (Subcommittee) would agree with the recommendation to use assessed valuation of property as the allocation method for bonded indebtedness and its impact on bonding capacity. Furthermore, the Subcommittee recommends that the petition specifically include these allocation methodologies.

To the extent that the Building Fund might have unexpended funds at the point the reorganization takes place, an allocation methodology other than ADA can be considered and included in the petition.

It appears based on the opinion offered from the law firm of Dannis Woliver Kelly, and the opinion from Marguerite Leoni of Nielsen Merksame Parrinell Gross and Leoni LLP, that the division of authorized but unissued bonding authority can be addressed with special legislation. Further discussion between the District and AMPS will need to occur to reach agreement on the allocation method.

Current and potential litigation needs further analysis in order to assess the impact of future liabilities for both districts.

If the reorganization is approved, the Malibu Unified School District will have to address options for housing certain centralized service facilities that include, but are not limited to, a District Office, Maintenance and Operations base.

There are numerous reasons to expect that all property and facilities would be divided equitably. AMPS and the Santa Monica-Malibu Unified School District Fiscal Oversight Committee are working closely to determine which mutually agreeable method/s will be used to divide property and facilities.

Sources Consulted

- 2013-14 Unaudited Actuals for Santa Monica-Malibu Unified School District
- 2013-14 External audits for Santa Monica-Malibu Unified School District
- Financial Oversight Committee; Malibu Unification Subcommittee February 2015 Memorandum and July 2015 Memorandum

Criterion 4: Non-promotion of Racial/Ethnic Discrimination or Segregation

The reorganization of the districts will preserve each affected district's ability to educate students in an integrated environment and will not promote racial or ethnic discrimination or segregation.

- Education Code Section 35753(a)(4)

To determine whether the new districts will promote racial or ethnic discrimination or segregation, the State Board of Education will consider the effects of the following factors:

- The current number and percentage of pupils in each racial and ethnic group in the affected districts and schools in the affected districts, compared with the number and percentage of pupils in each racial and ethnic group in the affected districts and school if the proposal or petition were approved.
- The trends and rates of present and possible future growth or change in the total population in the districts affected, in each racial and ethnic group within the entire school district, and in each school of the affected districts.
- The school board policies regarding methods of preventing racial and ethnic segregation in the affected districts and the effect of the proposal or petition on any desegregation plan or program of the affected districts, whether voluntary or court ordered, designed to prevent or to alleviate racial or ethnic discrimination or segregation.
- The effect of factors such as distance between schools and attendance centers, terrain and geographic features that may involve safety hazards to pupils, capacity of schools, and related conditions or circumstances that may have an effect on the feasibility of integration of the affected schools.
- The effect of the proposal on the duty of the governing board of each of the affected districts to take steps, insofar as reasonably feasible, to alleviate segregation of minority pupils in schools regardless of its cause.

- California Code of Regulations, Title 5, Section 18573(4)

Description

The SDO Handbook offers careful instructions for analyzing this criterion. The SDO Handbook includes this information as an appendix entitled, "Handbook for Conducting Racial and Ethnic Studies in School Districts," which will be referred to as The Handbook for the remainder of this section.

Definitions Outlined in the Handbook

The Handbook defines promotion of segregation as a situation in which minority enrollment in a district or school changes from “proportionate” to “disproportionate.” According to the Handbook, the California Supreme Court’s definition of disproportionate enrollment indicates that “minority students are isolated and deprived of an integrated educational experience.” Typically, 75 percent minority enrollment constitutes disproportionate enrollment. Sixty to 65 percent “may also be considered disproportionate if records over a significant period of time (at least five years) and an assessment of present and future demographic factors indicate the minority percentage has been steadily increasing and will likely continue to do so.” However, the statutes allow for some flexibility in the quantitative application of this criterion, focusing on a before-and-after comparison rather than a strict numeric threshold. In recognition of this lack of clarity, the SBE has been instructed in workshops that they could find violations of this criterion whenever²:

1. The minority group percentage in a district or affected schools is more than 50-60 percent as a result of the proposed transfer or reorganization, or becomes more than 50-60 percent as a result of the proposal and is steadily increasing; and
2. The trend and rate of minority group increase has been in evidence over a period of at least five years; and
3. The trend will likely continue and become ‘disproportionate’ in five years or less. This determination relies on the use of statistical data and analysis procedures.

The Handbook also defines minority groups to include American Indian or Alaskan Native; Asian; Pacific Islander; Filipino; Black, not of Hispanic origin; and Hispanic. For the purposes of applying this criterion, The Handbook indicates that all minority students should be combined into one unit to compare the group with a white student group.³

The Handbook references the CDE Intergroup Relations Office’s definition of “integrated educational experience” as a standard for determining under what circumstances segregation may occur.⁴ Under this definition, segregated schools are “so [quantitatively] disproportionate as realistically to isolate minority students” that minority students do not receive a qualitatively “integrated educational experience.”

² From The Handbook.

³ Non-white or minority numbers in this report include students falling in the “Multiple or No Response” category of the CBEDS data.

⁴ “Integrated educational experience” means the process of education in a racially and ethnically diverse school that has as its goal equal opportunities for participation and achievement among all racial and ethnic groups in the academic program and other activities of the school, together with the development of attitudes, behavior, and friendship based on the recognition of dignity and value in differences as well as similarities. (Definition developed by CDE Intergroup Relations Office)

Process Outlined in the Handbook

The Handbook also details the process for presenting, summarizing, and analyzing the “Findings of Fact” as required in applying the relevant sections of the California Code of Regulations quoted at the beginning of this section. The following pages present information following this procedure.

Findings of Fact

Step 1: Prepare tables and description of racial/ethnic enrollment of—

1. Existing and proposed districts;
2. Affected schools;
3. Adjacent schools in areas of affected districts that could be affected by the proposal; and
4. Comparison of existing and proposed districts and affected schools (i.e., before and after). (At this point of comparison disproportionate differences in minority and racial/ethnic enrollment could indicate a promotion of segregation.)

This step requires consideration of the current and future minority enrollment at the schools involved. This analysis includes all of the schools currently in the Santa Monica-Malibu Unified School District. Furthermore, projections are based on the assumption that the reorganization results in the Malibu Unified School District being comprised of the following schools: Juan Cabrillo Elementary, Point Dume Elementary, Webster Elementary, and Malibu High School. The Santa Monica Unified School District would be comprised of the remaining seven elementary schools, two middle schools, one high school, one K-8 alternative school, and one continuation school.

Existing District: Current Enrollment

As shown in Table 4, during the 2013-14 school years, approximately 48.4 percent of the District’s students were non-white.

Table 4: Student Enrollment by Racial Groupings 2013-14

	Non-White Students	White Students
SMMUSD	48.5%	51.5%
SMUSD	54.2%	45.8%
MUSD	21.4%	78.6%

Source: California Department of Education, Dataquest

Affected Schools: Current Enrollment

During the 2013-14 school year, the student population of the schools located within the attendance area of the proposed Malibu Unified School District as shown in Table 4 was

approximately 21.4 percent non-white compared to the proposed Santa Monica Unified School District’s student population, which was 54.2 percent non-white.

Proposed Districts: Future Enrollment

The resulting unified districts would each mirror the demographic makeup of the current student population of the schools currently located within their attendance areas. It is important to note that the District does not have an open enrollment policy, thus the student populations of each affected school are not expected to experience any significant changes in demographics as a result of the reorganization.

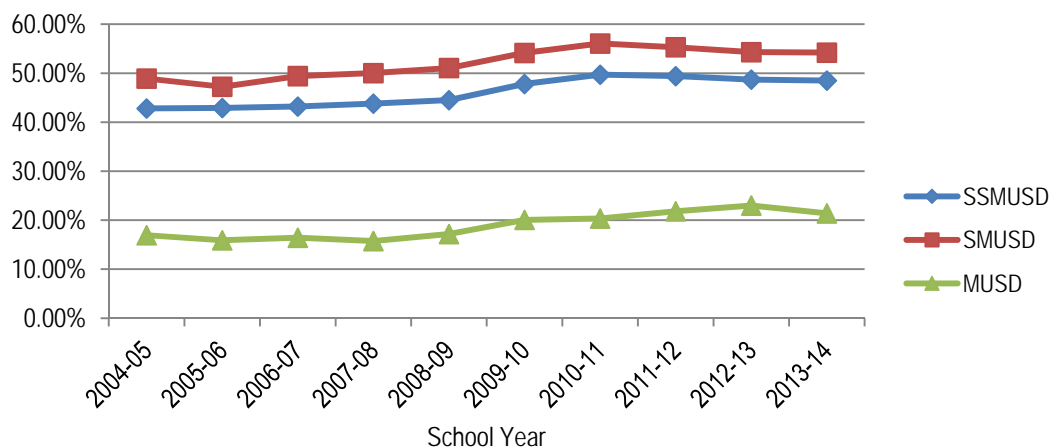
Affected Schools: Future Enrollment

As noted in the section above, the student populations are not expected to change by any significant margin. There might be a slight change in the race/ethnicity based solely on the number of students currently attending schools on intradistrict transfers returning to their attendance area schools.

Step 2:
 Prepare tables and description of the trends and rates of change in racial/ethnic enrollment and other changes in demographic conditions.

For this step, this analysis includes an examination of historical trends in minority enrollment and the rates of change over time. As shown in Figure 2, non-white enrollment has generally increased over time in the proposed school districts.

Figure 2. Non-White Enrollment By District



Source: California Department of Education, DataQuest

Step 3:

Prepare description and assessment of various factors that affect feasibility of integration: distance between schools, safety, capacity of schools, geographic features, etc.

Should the reorganization go forward, two unified school districts would be created. Since each district would have only one high school site, the options to integrate students within district boundaries are limited. Should integration be required, the Santa Monica and Malibu Unified School Districts could adopt an open enrollment policy, or such policies could be implemented with other nearby districts. However, until the new proposed district has elected a school board, no such policy can be established and no such registration option can exist. Since open enrollment agreements cannot exceed five years, any integration plans designed to minimize the impact of the proposal would require ongoing cooperation across district boundaries.

Step 4:

Prepare description and assessment of district policies and desegregation programs or plans, voluntary or court ordered.

No districts involved in this proposal have received court orders to desegregate; any current policies were adopted voluntarily. In addition, no districts involved have policies specifically targeted at desegregation, but rather deal with the issue of balanced ethnic enrollment through intradistrict and interdistrict transfer policies.

Step 5:

Prepare description and assessment of the duty of affected districts to take reasonable and feasible steps to alleviate segregation.

Based on the analysis of the data presented in Steps 1 and 2, minority enrollment in the resulting school districts would not exceed the standards used by the SBE to determine when segregation occurs. However, as described in Step 3, the impacted school districts could pursue open enrollment agreements to address any perceived racial imbalance.

Summary Statement

Step 6:

Summarize all conditions or changes that would occur if the proposal were approved that would promote segregation, referring only to data or information given in Steps 1 through 5.

Step 7:

Prepare a concluding statement to indicate whether the proposal promotes segregation or discrimination.

By quantitative measures, the enrollment of non-white students at the proposed Santa Monica and Malibu Unified School Districts are significantly different. The relevant Education Code sections, regulations, and steps outlined in The Handbook permit differences within and between districts. Based on the standards and conditions outlined in The Handbook, it does not appear that the non-white population of the resulting Santa Monica Unified School District would exceed the 75 percent mark within the next five years. The population of non-white students, especially Hispanics, will certainly grow, but based on the data described in Steps 1 and 2, it will not grow to such a level as to merit concern about segregation. Therefore, this criterion is met.

Sources Consulted

- California Department of Education, Dataquest (CBEDS)
- California Department of Education, EdData

Criterion 5: No Increase in State Costs

Any increase in costs to the state as a result of the proposed reorganization will be insignificant and otherwise incidental to the reorganization.
- Education Code Section 35753(a)(5)

Description

The enactment of the Local Control Funding Formula (LCFF) in July 2013 eliminated the “level up” adjustment related to revenue limits. Generally, the SBE is concerned that reorganization proposals do not significantly increase costs to the state for affected districts.

As a result of the reorganization, the proposed Malibu Unified School District would become a basic aid district, which means that its local property tax revenue would exceed its state determined LCFF entitlement. This has two effects: (1) the proposed Malibu Unified School District is able to retain all local property tax revenue in excess of its LCFF entitlement, effectively increasing its per pupil funding; and (2) the resulting loss of the property tax revenue attributed to Malibu would subsequently increase the state aid portion of the proposed Santa Monica Unified School District’s LCFF entitlement.

Analysis

To address this criterion, this study focuses on:

- LCFF calculations and the impact on basic aid status;
- Special categorical program revenue; and
- Transportation and facility costs.

This analysis assumes that the petition will result in the formation of two unified school districts without open enrollment clauses.

LCFF

The LCFF creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. LCFF also includes grade span adjustments for kindergarten through grade three (K-3) and grades nine through twelve (9-12), as well as add-ons for Home-to-School Transportation and Targeted Instructional Improvement Block Grant (TIGG). It is important to note that the proposed reorganization will likely result in changes to percentage of students eligible for supplemental and concentration grants which would affect the total funding received by the districts.

However, as noted earlier, the Malibu Unified School District would be considered a basic aid district in that its local property tax revenue would exceed its state determined LCFF revenue. The transition to basic aid status would result in approximately \$5,015,062 of excess property tax revenue in 2015-16. Based on current information, property tax exceeds the state LCFF amount by approximately 36.7 percent, and it is likely that this level of excess property tax will continue in the future. Local educational agencies that are considered in basic aid status as of the Second Principal Reporting Period are subject to the “Fair Share” reduction in state categorical funding utilized in calculating the LCFF Target and this reduction is presumed in the analysis for Malibu Unified School District.

The reorganization will alter the amount of state aid that funds the LCFF. The increase in 2015-16 state aid for Santa Monica Unified School District is estimated to be \$1,210,094.

Special Categorical Program Revenue

As noted above, LCFF creates base, supplemental, and concentration grants in place of most previously existing K-12 funding streams. The assumptions used in this analysis include that the revenue for Home-to-School Transportation and the TIIG be split on an ADA basis. Additionally it is assumed that both districts will remain within the Tri-City Special Education Local Planning Area (SELPA) and AB 602 funds will be allocated to each district based on the current SELPA allocation formula.

Transportation and Facilities Costs

The petition should have a negligible impact on facility costs. As described in the analysis of Criterion 7, there are no expected school housing costs, aside from one-time moving and possible renovation costs associated with creating a space to house the Malibu Unified School District Office. Currently, home-to-school transportation is provided to the students living in the proposed Malibu attendance area. Students living within the Santa Monica attendance area are not provided home-to-school transportation because the locations of the neighborhood schools are within the approved walking distance of the current District. While the impact on home-to-school transportation costs of any current transportation will be minimal because ridership is not expected to change as a result of the reorganization, it is important to note that the cost would reside with the newly formed Malibu Unified School District. Transportation costs for special education students are not expected to be impacted by the reorganization and the costs would be allocated based upon the student’s district of residence.

Conclusion

Based on the analysis above, there would be an increase in the amount of state aid for the Santa Monica Unified School District as a result of Malibu Unified School District becoming a basic aid district; the increase is estimated to be approximately \$4,323,660 based on the LCFF calculation for the former District. The increase in costs to the state as a result of the proposed reorganization

appears to be insignificant as measured against the statewide level of state aid and as such this criterion appears to be met.

Sources Consulted

- District provided 2015-16 LCFF Calculations
- District provided tax data
- Fiscal Crisis Management Assistance Team LCFF manual and calculator

Criterion 6: No Disruption to Educational Programs or Performance

The proposed reorganization will continue to promote sound education performance and will not significantly disrupt the educational programs in the districts affected by the proposed reorganization.

- Education Code Section 35753(a)(6)

The proposal or petition shall not significantly adversely affect the educational program of districts affected by the proposal or petition. In analyzing the proposal or petition, the California Department of Education shall describe the districtwide programs and the school site programs in schools not a part of the proposal or petition that will be adversely affected by the proposal or petition.

- California Code of Regulations, Title 5, Section 18573(5)

Description

According to Education Code, analysis of this criterion should include academic performance of students at the impacted schools as well as program offerings available to these students. In order to best understand potential future opportunities and performance at the schools, the Handbook recommends reviewing past performance and programs and then projecting possible adjustments due to the proposal.

The key areas to explore include academic performance as reflected by standardized test scores and accreditation reports, program offerings at schools within each of the proposed district areas, and shared programs that might be disrupted by reorganization. Considering that students generally attend neighborhood schools, the proposed reorganization would have limited impact on the general education support provided to students assuming that current staff and curriculum remain similar to that which is currently in place. However, for those programs and opportunities for which there is a significant centralized role in operating and supporting (e.g., special education, English Language Learner services, alternative education), the reorganization could have a moderate to significant impact. This section focuses primarily on the impact the proposed reorganization may have on specialized programs and highlights considerations for AMPS and the District as it evaluates the feasibility of reorganization.

Analysis

The analysis of the above criterion’s application to the proposal focuses on the following:

- Academic performance
- Advanced Placement/Honors course offerings and success rates
- Special needs programs, including special education, courses for English Language Learners, and alternative education
- Other opportunities and challenges presented by the proposal.

Academic Performance

While the state is currently undergoing a change in its accountability system, it is important to note that this analysis relies on the most current data available for Academic Performance Index (API) scores. Overall, the academic performance of District students is above state and county averages; the District’s API score for 2013 of 865 places it among the top tier of performers in the state. As shown in Table 5, the level of performance is fairly consistent between all schools within the District. Performance of students classified as English Language Learners and Students with Disabilities lags that of their peers, but is consistent with trends observed statewide.

Table 5: Academic Performance

School	API (2013)	Percent at or above Proficient English-Language Arts (2013)		
		All Students	English Learners	Students with Disabilities
Proposed Malibu Unified School District				
Cabrillo Elementary	878	69.0%	33.3%	47.8%
Point Dume Elementary	929	84.1%	N/A	86.7%
Webster Elementary	944	87.7%	N/A	50.0%
Malibu High	883	82.2%	60.8%	59.2%
Remaining Santa Monica Unified School District				
Edison Elementary	884	67.0%	48.5%	54.8%
Franklin Elementary	949	90.5%	75.0%	74.7%
Grant Elementary	878	72.7%	38.1 %	42.9%
John Muir Elementary	816	54.6%	31.6%	31.7%
McKinley Elementary	883	75.4%	65.2%	55.8%
Roosevelt Elementary	951	87.4%	77.8%	75.4%
Will Rogers Elementary	830	57.1%	47.5%	35.2%
John Adams Middle	839	66.4%	45.1%	17.1%
Lincoln Middle	907	82.6%	68.9%	52.7%
Santa Monica High	823	75.5%	59.3%	24.1%

Source: California Department of Education, DataQuest 2012-13

Other ways to measure performance include examination of Scholastic Aptitude Test (SAT) data. This data is typically available for students preparing to enter college. As shown in Table 6, students who took the SAT performed evenly over time at both high schools, with both groups consistently scoring above national and state averages.

Table 6: Scholastic Aptitude Test Performance, 2010-2013

		Malibu High	Santa Monica	CA
2010-11	Reading	548	526	495
	Math	552	545	513
	Writing	556	538	494
2011-12	Reading	554	536	491
	Math	556	552	510
	Writing	556	545	491
2012-13	Reading	538	532	492
	Math	544	541	508
	Writing	544	533	489

Source: California Department of Education, DataQuest

Schools within the Malibu and Santa Monica areas show proof of solid educational programs. Students perform well on standardized tests, participate and achieve at high levels on Advanced Placement courses and tests, and score well on the SAT when compared with national and state averages. Furthermore, the achievement and outcomes results are fairly comparable between the two areas, with slightly higher results at schools within the Malibu area. For this reason, we anticipate that reorganization would not negatively impact students' educational performance, presuming that programs remain comparable. While responses to the proposed reorganization cannot be predicted, nor can the impact of such responses, this report does not find any violations of the criterion when considering core educational performance alone.

Advanced Placement/Honors Programs

Participation and success in Honors or Advanced Placement (AP) classes provides another basis for comparing educational programs at the two comprehensive high schools.⁵ Both Malibu High and Santa Monica High offer a wide range of honors and AP classes in English, math, science, social science, foreign language, and the arts. While Santa Monica High has far more students in grades 9 through 12 than Malibu High, participation levels in the AP courses and the AP test process are comparable (see Table 7 below). Notably, compared to the statewide AP test passage rate of 58.1 percent, both Malibu High and Santa Monica High have significantly higher AP test passage rates. Current programs are proposed to be continued at both districts, therefore there is no anticipated impact on the availability of AP courses.

⁵ Advanced Placement (AP) programs, administered by The College Board, allow high school students to take college-level classes at their high schools and then opt out of similar classes in college by passing the AP exams.

Table 7: Advanced Placement (AP) Test Participation and Performance, 2012-13

	Malibu High	Santa Monica High
Number of Exam Takers	259	942
Passage Rate (Score of 3, 4, or 5)	72.5%	71.2%

Source: California Department of Education

Special Programs

School districts are responsible for teaching every student within their boundaries, with few exceptions. In order to do so, they must provide special programs for students with physical, mental, and learning disabilities; English Language Learners; gifted and talented students; and students otherwise unable to succeed in the traditional school setting without additional counseling, assistance, and opportunities. The District currently meets the needs of all such students. However, as noted earlier, the current approach includes a moderate to significant centralized support function. As a result, the proposed reorganization would require the newly formed Malibu Unified School District to address how it will develop programs of support for such students as in most cases. The budget (see Appendix B) includes all current site level staffing as well as positions that are centralized to provide support for English Language Learners, students with disabilities, and students in need of alternative education programs. Comparable programs can continue to be offered with smaller subsets of students, but there will be a financial impact based on the loss of program scale.

Special Education

The District is currently a member of the Tri-City Special Education Local Planning Area (SELPA), which also includes Culver City Unified and Beverly Hills Unified School Districts. Under the proposed reorganization, the newly formed Malibu Unified School District would be presented with the option to either remain a member of the existing SELPA or seek membership in another SELPA. However, the newly formed Malibu Unified School District must address how it will provide services to students who currently attend a school that post-reorganization would be in the Santa Monica Unified School District. For instance, this would include preschool students who are enrolled in the severe autism preschool program located in Santa Monica. Similarly, for those students who live within the Santa Monica attendance area that currently attend Malibu High, in order to access a smaller school community as an accommodation to meet a special need (e.g., anxiety disorder, school phobia), an alternative placement or interdistrict transfer option would be necessary. The scope of this analysis did not include reviewing the SELPA allocation and it appears that the District has allocated special education revenue and costs based on a split of overall enrollment. This methodology will need to be confirmed to ensure both revenue and costs are accurately included in both districts' budget estimates.

English Language Learners

In 2013-14, there were approximately 972 students, 8.6 percent of all students, classified as an English Language Learner (ELL) student. There are significant variations in the number and density of ELLs within the District's schools. Under the proposed reorganization, approximately 9.5 percent of the students attending the Santa Monica attendance area would be ELLs compared to 4.4 percent in the proposed Malibu attendance area. While the reorganization would have little-to-no impact on the distribution of ELL students, there could be some impact on the approach taken to address the needs of such students. Given the small numbers of ELLs at some schools, it can be challenging to design a program of support. Under the current model of support, there are centralized supports, such as a Bilingual Community Liaison Program and ELL professional development, which benefit all schools, including those with small numbers of ELLs. These supports are included in the proposed budget for Malibu Unified School District. Additionally, there are well documented and highly effective models for addressing the needs of small and dispersed ELL populations. These models can be considered as an alternative to the services included in the proposed budget to offer required services for this population.

Alternative Schools

The District currently operates one continuation high school (Olympic) and one alternative K-8 school (Santa Monica Alternative). Both programs are on campuses within the area that would become the Santa Monica attendance area. As a result, it would be necessary for the Malibu attendance area to create options for students requiring alternative education placements. Given the small numbers of students likely to be served by such programs, it may be most cost-effective to develop an interdistrict agreement to provide such support. However, if such an agreement cannot be developed, or there is a strong preference to operate such programs within the newly formed district, there are several operating considerations. The considerations include identifying space within an existing facility where programs can be offered in a self-contained manner, cost-effective staffing, and selecting and implementing an effective program of support. The proposed budget includes funding for a student intervention specialist that could support coordinating services for students needing alternative education placements.

Conclusion

The proposed reorganization would not result in the shifting of programs or necessarily require the restructuring of existing program offerings within schools as shown in the budget proposal in Appendix B. The proposed budget includes continuation of all programs and staffing levels that are currently in place in Malibu, and additionally, offers a similar level of centralized services to complement site level services. It is difficult to predict other impacts the reorganization could have upon instructional quality and student outcomes. Such impacts would largely result from administrative decisions, not from the reorganization itself. However, there needs to be further analysis on the special education program revenue and district of residence data to determine if the proposed budget can support actual needs. Additionally, the provision of an alternative

education option for students in the Malibu Unified School District area will likely need to be met in a school within a school model or on an interdistrict basis with neighboring districts.

This study finds that if provisions are made to ensure that all students' learning needs are met, then this criterion is substantially met.

Sources Consulted

- California Department of Education online databases (Dataquest, EdData)
- Santa Monica-Malibu Unified School District administration officials
- AMPS representative

Criterion 7: No Increase in School Housing Costs

Any increase in school facilities costs as a result of the proposed reorganization will be insignificant and otherwise incidental to the reorganization.
- Education Code Section 35753(a)(7)

Description

This criterion was designed to prevent school districts from reorganizing with the purpose of creating a need for new school facilities. For instance, if a school district of several schools were able to accommodate all of its students with existing facilities, Education Code 35753(a)(7) would prevent it from reorganizing a portion of its territory for the sole purpose of needing another school. The proposed reorganization would result in the transfer of the following school sites: Webster Elementary, Cabrillo Elementary, Point Dume Marine Science Elementary, and Malibu High School to the Malibu Unified School District. The Santa Monica Unified School District would be comprised of the remaining seven elementary schools, two middle schools, one high school, one K-8 alternative school, and one continuation school.

Analysis

The proposed reorganization would have limited impact on the facilities and enrollment at the elementary, middle, and high schools in the existing attendance areas for either Malibu or Santa Monica. Table 8 summarizes the 2013-14 CBEDS enrollments at each of the schools and the estimated capacity for each site.

Table 8. Enrollment and Capacity by Site 2014

<i>Site</i>	<i>Enrollment 2013-14</i>	<i>State Capacity</i>	<i>District Capacity</i>
<i>Edison Elementary School</i>	451	813	535
<i>Franklin Elementary School</i>	799	964	861
<i>Grant Elementary School</i>	665	915	809
<i>John Muir Elementary</i>	271	364	366
<i>Juan Cabrillo Elementary School</i>	235	551	350
<i>McKinley Elementary School</i>	490	814	609
<i>Point Dume Elementary School</i>	241	388	271
<i>Roosevelt Elementary School</i>	818	976	854
<i>SMASH</i>	228	277	250
<i>Webster Elementary School</i>	341	488	337
<i>Will Rogers Elementary School</i>	539	950	681
<i>John Adams Middle School</i>	1,012	1,647	1,254
<i>Lincoln Middle School</i>	1,013	1,240	1,208
<i>Malibu Middle School</i>	474	657	625
<i>Malibu High School</i>	696	1,066	1,085
<i>Olympic High School</i>	72	405	377
<i>Santa Monica High School</i>	2,957	3,531	3,271
Total Capacity		16,046	13,743
Total Enrollment	11,302		

Source: District provided data-Eric Hall and Associates Santa Monica-Malibu Unified School District Capacity Study

Based on District capacity data reflected in Table 8, the Malibu High School site can serve approximately 1,085 high school students; Malibu Middle School can serve 625 students; and the Santa Monica High School site can serve approximately 3,271 students which would allow for alternative education programs such as Continuation or Opportunity programs to be supported within current facility capacities now and in the future. However, there may be a need to reconfigure accommodations at the Malibu High School and Middle School for alternative programs based on current classroom usage for the site. Furthermore, each district would have sufficient space to provide educational services to the students currently attending their elementary sites and middle school sites.

Conclusion

The data above indicates that the proposed Malibu Unified School District and resulting Santa Monica Unified School District will have adequate facilities to accommodate all of their students and educational programs for the foreseeable future, should the proposed reorganization occur. However, Malibu Unified School District will need to consider adequate accommodations for their alternative high school programs. With this condition in mind, the study finds that there would be no substantial increase in school housing costs should the reorganization occur. Therefore, this criterion is met.

Sources Consulted

- District provided capacity data

Criterion 8: Not Designed to Increase Property Values

The proposed reorganization is primarily designed for purposes other than to significantly increase property values.

- Education Code Section 35753(a)(8)

Description

This criterion deals not with outcomes, but rather with intent. While property values may fluctuate after school district reorganization, analysis of a proposal must focus on the intent of the petitioners.

Analysis

In both Malibu and Santa Monica, where the median home value far exceeds that of the state average, it can be generally agreed-upon that there is more than likely a shortage of affordable housing. Santa Monica has an extremely high population density of approximately 11,194 people per square mile, made possible because the majority of its housing is multi-family developments. In contrast, Malibu's population density of 647 people per square mile is considered low and the majority of its housing is single family dwellings.

While there are certainly areas of contrast between the two cities as noted above, because the attendance areas for the proposed districts are not changing from those currently in place, it can be argued that property values will not experience any significant changes as a result of the reorganization. Moreover, in a case such as this, when school quality is arguably consistent across both attendance areas, concerns regarding this criterion are minimal.

The analysis did not reveal that property value is a factor that is driving the interest in the proposed reorganization effort and there is no reason to presume that the petitioners' aim in reorganization is to increase their property values.

Conclusion

This study finds no evidence that property values would increase as a result of the proposed reorganization. This study also finds no indication that the petitioners aim to increase property values through this proposal. Therefore, this report concludes that this criterion is substantially met.

Sources Consulted

- City-Data.com
- 2013-2021 City of Malibu Housing Element Report
- 2013-2021 City of Santa Monica Housing Element Report

Criterion 9: No Substantial Negative Impact on District Fiscal Management or Status

The proposed reorganization will continue to promote sound fiscal management and not cause a substantial negative effect on the fiscal status of the proposed district or any existing district affected by the proposed reorganization.

- Education Code Section 35753(a)(9)

Description

In addition to Education Code Section 35753(a)(9) and California Code of Regulations, Title 5, Section 18573(a)(2), the SBE recommends that Education Code Section 33127, the State Standards and Criteria, be used to evaluate the financial condition of school districts affected by proposed reorganizations. Three basic criteria are used for these State Standards and Criteria to determine the district's solvency:

- Cash position at the end of the year;
- Fund Balance position at the end of the year; and
- Three-year projection of fund balance.

To comply with these criteria, an initial budget is projected for each of the new districts Unrestricted General Fund based on 2014-15 Estimated Actual financial information. This projected budget directly addresses the year-end fund balance position and assumes a similar impact on the cash position. This study includes a three-year fund balance for the proposed Malibu Unified School District. An analysis for the proposed Santa Monica Unified School District has been prepared by staff at the District and reflects that the resulting Santa Monica Unified School District would be financially viable. The complete analysis will be provided for consideration under separate cover. Appendix E includes a memorandum from the Financial Oversight Committee summarizing their review.

Analysis

The District's 2014-15 Estimated Actual budget reflects a positive ending balance for the combined general fund (restricted and unrestricted funds). The reserve level for the combined fund is approximately 16.8 percent; the unrestricted general fund is estimated to have a net increase of approximately \$1.34 million dollars in 2014-15. Table 9 below provides a summary of the 2014-15 revenue and expenditures for the District.

**Table 9: Summary of Baseline Financial Data Santa Monica-Malibu Unified School District
2014-15 Estimated Actual General Fund Restricted and Unrestricted Sources**

REVENUES	UNRESTRICTED	RESTRICTED	TOTAL
LCFF /State	82,976,868		82,976,868
Federal Revenues	201,237	4,777,179	4,978,416
Other State Revenues	2,587,916	682,708	3,270,624
Other Local Revenue	33,755,132	10,664,790	44,419,922
Total Revenue	119,521,153	16,124,677	135,645,830
EXPENDITURES	UNRESTRICTED	RESTRICTED	TOTAL
Certificated Salaries	47,233,417	12,265,845	59,499,262
Classified Salaries	16,461,872	9,156,497	25,618,369
Employee Benefits	22,196,671	7,149,092	29,345,763
Books and Supplies	2,616,291	4,530,238	7,146,529
Services & Other Operating Costs	8,811,368	6,988,664	15,800,032
Capital Outlay	470,322	98,962	569,284
Other Outgo	-601,318	558,332	-42,986
Total Expenditures	97,188,623	40,747,630	137,936,253
Excess (Deficiency) of Revenues to Expenditures	22,322,530	-24,622,953	-2,290,423
OTHER FINANCING SOURCES	UNRESTRICTED	RESTRICTED	TOTAL
Interfund Transfers	0		0
Other Sources	137,119		137,119
Contributions	-21,125,009	21,125,009	0
Total Other Financing Sources	-20,987,890	21,125,009	137,119
Net Increase (Decrease) In Fund Balance	1,344,640	-3,497,944	-2,153,304
Beginning Balance	21,775,362	5,502,052	27,277,414
ENDING FUND BALANCE JUNE 30, 2015	23,120,002	2,004,108	25,124,110

Source: 2014-15 Estimated Actual Report Santa Monica-Malibu Unified School District

Criterion 5 of this report discussed changes in revenue for the proposed reorganization. While the transition to basic aid status increases the per ADA funding, there are expenditure increases for the proposed reorganization that include costs for establishing centralized administration and creating programs to meet the needs of English Language Learners, students with disabilities, alternative education options, home-to-school transportation, and establishing facilities and infrastructure for a district office, maintenance yard, and possibly a central kitchen. Additionally, it is important to note that there is the potential for costs associated with contract negotiations for both districts post reorganization. Appendix C includes an excerpt from The Handbook that explains the legal rights of employees under reorganization.

As noted under the analysis in Criterion 5, Malibu Unified School District would be considered a basic aid district in that its local property tax revenue would exceed its state determined LCFF

entitlement. The transition to basic aid status would result in approximately \$5,015,062 in excess property tax revenue in 2015-16.

The financial viability of the newly formed Malibu and Santa Monica Unified School Districts following reorganization would be largely dependent upon management decisions. The analysis for the multi-year budget in the report is focused on the proposed Malibu Unified School District. The assumptions, reflected in Table 10 below, include annual adjustments for the cost of step/column and health and welfare and it is important to note that post reorganization, there could be potential adjustments to salary schedules which would increase compensation costs. However, any changes would be subject to negotiations between the newly elected school boards and the newly established collective bargaining units following a decision to reorganize.

The multiyear projection in Table 11 includes staffing for centralized services that are scaled for the size of the District, support for English Language Learners, students with disabilities, and students in need of alternative education programs, as well as site level services that are detailed in Appendix B. Revenue and expenditure assumptions are based on conservative planning factors and proposed revenue exceeds expenditures in all four years of the projection. There are several potential long-term costs, such as changes to salary schedules, as well as several one-time, or limited-term costs, for the Malibu Unified School District that would be necessary as a result of the reorganization. These costs will need to be taken into consideration post reorganization. Examples of one-time costs might include the need to have facilities for a district office, maintenance, and possible child nutrition services. It is important to note that the level of reserves exceeds the required level of reserve for economic uncertainties in each year of the projection and could be a possible funding source for some of the one-time costs, but caution needs to be exercised when considering expenditures funded from ending fund balances or reserves.

Table 10. Multi-year Assumptions: Proposed Malibu USD (Post-Reorganization) Parcel Tax

Factor	2014-15	2015-16	2016-17	2017-18
Statutory COLA-Department of Finance (DOF)	0.85%	1.02%	1.60%	2.48%
LCFF FUNDING BASE- FCMAT Calculator Universal Assumptions				
Grades K-3	7,011	7,083	7,196	7,374
Grade Span Adjustment, Grades K-3-10.4%	729	737	748	767
Grades 4-6	7,116	7,189	7,304	7,485
Grades 7-8	7,328	7,403	7,521	7,708
Grades 9-12	8,491	8,578	8,715	8,931
Grade Span Adjustment, Grades 9-12-2.4%	221	223	227	232
% OF GAP FUNDING /DOF	29.15%	53.08%	37.40%	36.70%
Enrollment Projection	1,886	1,836	1,768	1,692
P2 ADA Projection	1,783	1,756	1,691	1,607
Funded ADA(higher of current or prior year P2 ADA)	1,852	1,783	1,756	1,691
Federal Revenues	0	0	0	0
Property Tax increase		3%	3%	3%
Mandated Block Grant K-8 per ADA	28	28	0	0
Mandated Block Grant 9-12 per ADA	56	56	0	0
Prior Year Mandated Costs per ADA	60	0	0	0
Unrestricted Lottery(annual ADA)	128	134	134	134
City of Santa Monica	0	0	0	0
Measure TBD -Parcel Tax (8480 parcels)	376	376	376	376
City of SM /Prop. Y	0	0	0	0
Santa Monica-Malibu Education Foundation & Stretch Grant	741,185	626,817	646,817	667,417
Salary Increase - Certificated	0	0	0	0
Salary Increase - Classified	0	0	0	0
Step and Column Incr. Certificated	1.50%	1.50%	1.50%	1.50%
Step & Column Incr. - Management	1.50%	1.50%	1.50%	1.50%
Step & Column Incr. - Classified	1.50%	1.50%	1.50%	1.50%
STRS Rate	8.88%	10.73%	12.58%	14.43%
PERS Rate	11.77%	11.85%	13.05%	16.60%
Health/Welfare/FTE for proposed centralized FTE	13,000	13,000	13,000	13,000
Health/Welfare - Annualized	3.00%	7.00%	7.00%	7.00%
State Unemployment	1.00%	1.00%	1.00%	1.00%
Workers' Compensation	3.00%	3.40%	3.40%	3.40%
Other Postemployment Benefits	1.25%	1.25%	1.25%	1.25%
Indirect Cost Rate	5.73%	6.28%	6.28%	6.28%
Interest Rate	0.70%	0.70%	0.70%	0.70%
Consumer Price Index	2.00%	2.40%	2.70%	2.80%
Ongoing Maintenance	3.00%	3.00%	3.00%	3.00%
Reserve for Uncertainties	3.00%	3.00%	3.00%	3.00%

Source: FCMAT, School Services of California Dashboard, District provided data

**Table 11: Multi-year Projection Unrestricted General Fund for Proposed Malibu USD
(Post-Reorganization-Parcel tax)**

Description	2014-15 ESTIMATED ACTUALS	2015-16 PROJECTED BUDGET	2016-17 PROJECTED BUDGET	2017-18 PROJECTED BUDGET
Revenue				
Property Tax	17,371,428	18,658,500	19,218,255	19,794,803
Education Protection Account (EPA)	370,400	356,600	351,200	338,200
LCFF Transfer to Fund 11 & Fund 14	-73,084	-73,084	-73,084	-73,084
LCFF Transfer to Charter School & County Specialized secondary school	0			
LCFF State Aid	273,745	273,745	273,745	273,745
Subtotal LCFF Funding	17,942,489	19,215,761	19,770,116	20,333,664
Other Federal	0			
Lottery	237,107	235,304	226,594	215,338
Mandated Reimbursement Block Grant	188,529	66,948	0	0
Other State Revenue	0	0	0	0
Parcel Tax-Measure TBD	3,188,480	3,188,480	3,188,480	3,188,480
Prop. Y / City of SM	0	0	0	0
Joint Use Agreement/ City of SM	0	0	0	0
All Other Local Income	200,000	200,000	200,000	200,000
SMMEF, PD and Stretch Grants	741,185	626,817	646,817	667,417
Other Sources /Proceed from Capital Lease	0	0	0	0
Local General Fund Contribution	-3,235,031	-3,348,257	-3,455,401	-3,590,162
TOTAL REVENUE	19,262,759	20,185,053	20,576,606	21,014,737
Expenditure:				
Certificated Salary	8,981,235	9,115,954	9,252,693	9,391,483
Classified	3,157,748	3,205,114	3,253,191	3,301,989
Benefits	4,110,785	4,487,807	4,911,351	5,433,018
Supplies/Books	796,477	815,592	837,613	861,067
Other Operational Costs	1,695,387	1,736,076	1,782,950	1,832,873
Capital Outlay	50,000	51,200	52,582	54,055
State Special Schools		0		
Debt Services				
Indirect				
Interfund Transfer Out to FUND 12				
Interfund Transfer Out to FUND 13				
LCAP Minimum Proportionality Percentage	Need to establish	Need to establish	Need to establish	Need to establish
Mandated / Common Core Program		66,948	0	0
TOTAL EXPENDITURE	18,791,632	19,478,692	20,090,381	20,874,485
Increase (Decrease) Fund Balance	471,127	706,362	486,226	140,253
Beginning Fund Balance	3,636,485	4,107,613	4,813,974	5,300,200
Ending Fund Balance	4,107,613	4,813,974	5,300,200	5,440,453
Reserve - Revolving cash, Store	5,000	5,000	5,000	5,000
Reserve - 50% of Gap Funding 16-17				
Reserve - Deficit Spending 15-16				
Reserve - Deficit Spending 16-17				
3% Contingency Reserve	720,490	743,597	765,107	792,602
Unappropriated Balance	3,382,123	4,065,378	4,530,093	4,642,850

Source: 2014-15 Estimated Actual Report Santa Monica-Malibu Unified School District, District provided data

Additional assumptions for the data reflected in Table 11 include the following:

- Property tax calculation based on SMMUSD estimated 2014-15 property tax, less redevelopment funds and division of assessed value (AV), City of Malibu and unincorporated Los Angeles County equal 33.6 percent
- All redevelopment agency revenue remains with the proposed Santa Monica Unified School District
- Parcel revenue-\$379/parcel based on 8,480 parcels
- Local revenue of \$200,000/year from City of Malibu for facility use
- \$200/ADA for Education Protection Act
- Minimum state aid for categorical aid subsumed by LCFF
- Local contribution funds the Maintenance/Grounds and Special Education Programs
- Indirect cost rate not included in model
- Transfers to support Adult Education and Deferred Maintenance
- 2014-15 site level budgets for Cabrillo, Point Dume, Webster, Malibu Middle, and Malibu High school were used to estimate site level staff and operation costs
- Continuation of Santa Monica-Malibu Education Foundation and Stretch Grant funding/expenditures
- Costs for centralized programs are included and are scaled for the size of the District. Centralized costs track to the centralized program staffing budget created by Santa Monica-Malibu Unified School District (see Appendix B).

Other Factors

As noted above, Table 11 includes parcel tax revenue. While Education Code 35560 does address the allocation of funds, property, and qualified special taxes, it does not explicitly address how to treat a parcel tax given the circumstances of the proposed reorganization, nor is there known precedent that can be followed. A parcel tax is a critical element to deem the reorganization viable as illustrated in Table 11 and AMPS has consulted legal counsel (see Appendix D) which has offered an opinion on including a special tax as a condition of reorganization.

Conclusion

Based on Santa Monica-Malibu Unified School District's 2014-15 Estimated Actual Report, the financial condition of the current Santa Monica-Malibu Unified School District appears to be financially viable for 2014-15 and the next two fiscal years. The multi-year budget in Table 11 reflects the proposed Malibu Unified School District would be financially viable with continuation of the current parcel tax. As such, AMPS has shared that they plan to include a special tax as a condition of the reorganization.

Sources Consulted

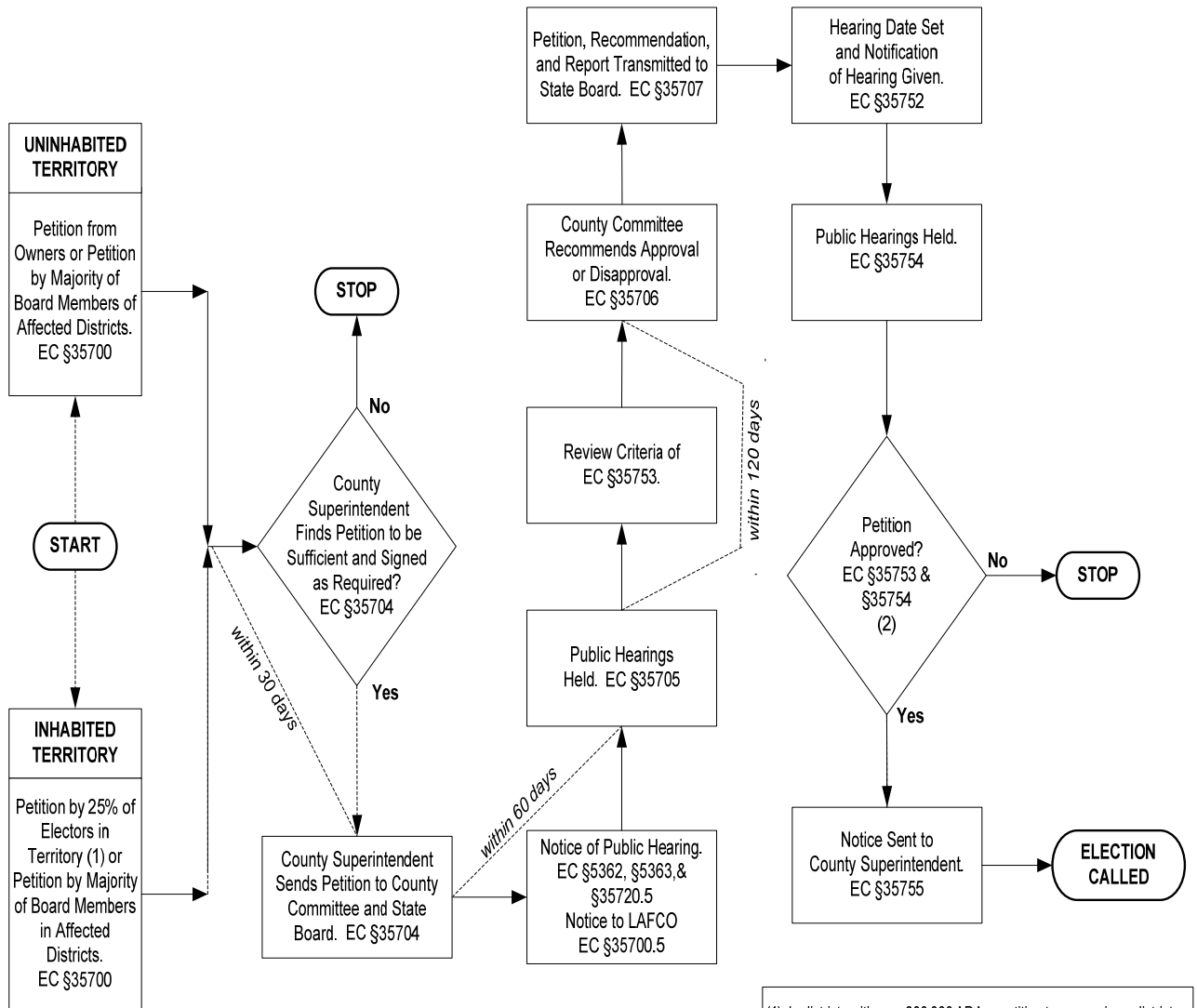
- 2014-15 Estimated Budget-Santa Monica-Malibu Unified School District
- Dataquest and California Department of Education Funding exhibits
- District provided data and staffing estimates
- Fiscal Crisis Management Assistance Team-LCFF Calculator

Appendix A

The following information is an excerpt from Chapter 5 pages 47 and 50 from the California Department of Education District Organization Handbook July 2010

Flowchart C

UNIFICATION INITIATED BY OWNERS, 25% PETITION, OR DISTRICT GOVERNING BOARD

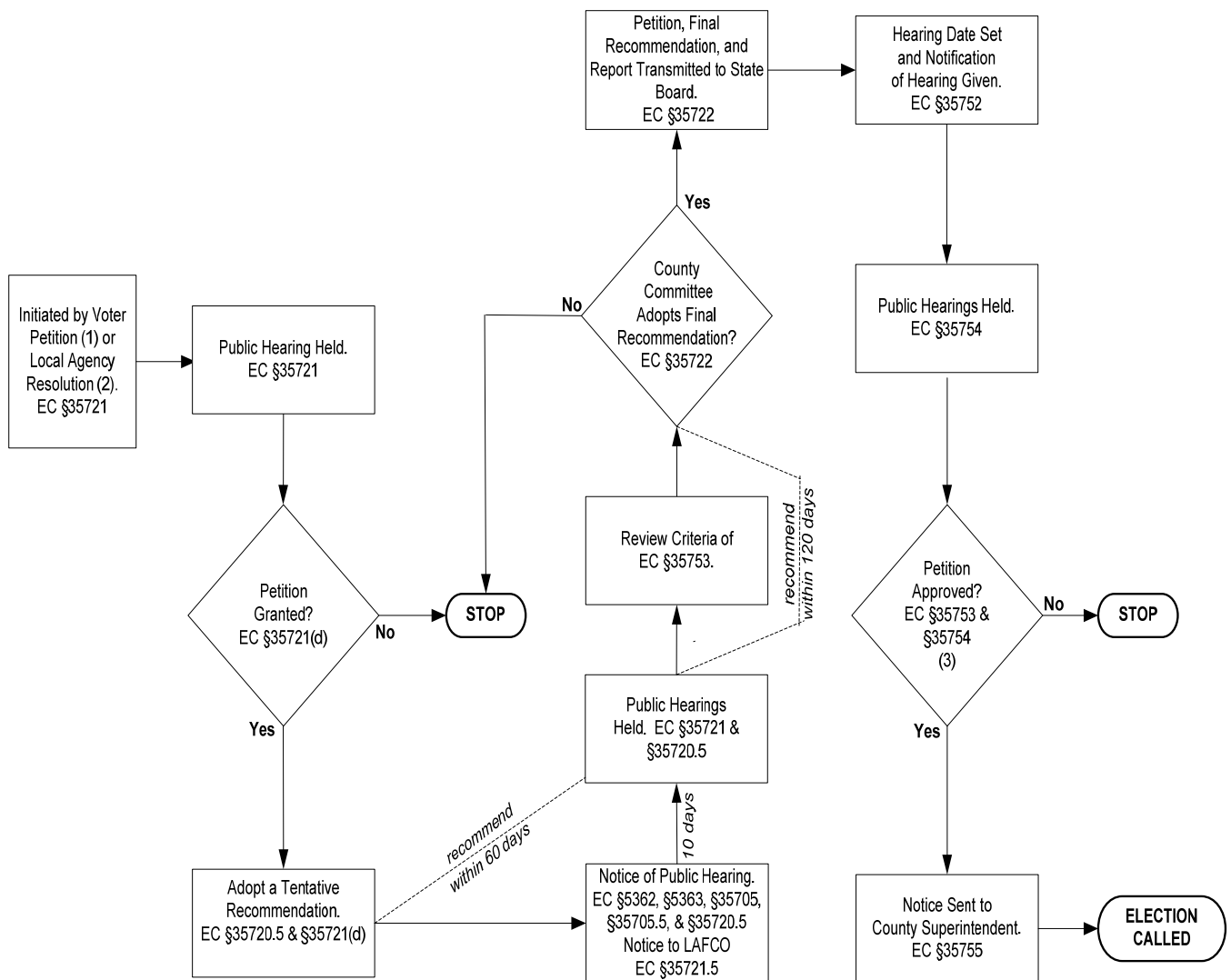


(1) In districts with over 200,000 ADA, a petition to reorganize a district into two or more districts may be signed by 8% of the registered voters. EC §35700(b).
 (2) The SBE, as lead agency for CEQA, must comply with provisions of CEQA before approving a unification if it determines that the unification is a project under CEQA.

The following information is an excerpt from Chapter 5 pages 47 and 50 from the California Department of Education District Organization Handbook July 2010

Flowchart D

UNIFICATION INITIATED BY 10% PETITION OR LOCAL AGENCY



- (1) A petition to reorganize a district shall be signed by at least 10 percent of the registered voters of the entire district. EC §35721(a) In districts with over 200,000 ADA, a petition to reorganize a district into two or more districts may be signed by 5% of the registered voters. EC §35721(b).
- (2) The city council, county board of supervisors, governing body of a special district, or LAFCO may initiate a proposal to reorganize a district. EC §35721(c)
- (3) The SBE, as lead agency for CEQA, must comply with provisions of CEQA before approving a unification if it determines that the unification is a project under CEQA.

Appendix B

UNRESTRICTED GENERAL FUND				
Superintendent/Board	FTE	Object Code	Cost	Assumptions
Superintendent	1	1310	200,000	Suggested salary for Superintendent and average cost/FTE for clerical. Board member stipends \$4,800/year plus full benefits. Health and welfare estimated at \$13,000/FTE. Statutory benefits estimated at 16% for certificated and 25% for classified. Supplies and contracts 50% of Santa Monica-Malibu budget.
Board Stipends	0	2300	24,000	
Clerical Support	1	2410	61,000	
Benefits		3XXX	144,250	
Supplies		4XXX	158,040	
Contracts/Services		5XXX	291,660	
TOTAL	2		878,950	

Human Resources	FTE	Object Code	Cost	Assumptions
Teachers Subs-District wide		1160	204,756	Substitute costs 20% of Santa Monica-Malibu. Statutory benefits estimated at 16% for certificated and 25% for classified. Supplies and contracts 20% of Santa Monica-Malibu budget. Note, should there be a need for HR staff support there are funds included in the Superintendent/Board budget object codes 4000 & 5000
Assistant Superintendent		1311	0	
BTSA Coordinator- see Director of Education Services		1316	0	
Clerical Support**		2410	0	
Classified Substitutes District-wide		2XXX	15,000	
Benefits		3XXX	36,511	
Supplies		4XXX	5,430	
Contracts/Services		5XXX	35,420	
TOTAL			297,117	

Assuming no Personnel Commission and employee relations costs

Educational Services	FTE	Object Code	Cost	Assumptions
Independent Study Teacher	1	1110	78,300	Suggested salary for CAO. Average cost/FTE for Director, clerical, ROP, and independent study. Elementary Summer School estimate at 6 teachers, 1 Administrator, 1 clerical; 4 hours/day 4 week session. Health and welfare estimated at \$13,000/FTE. Statutory benefits estimated at 16% for certificated and 25% for classified. Textbooks estimated at 25%, Music Coordinator, bilingual stipends, supplies and contracts 20% of Santa Monica-Malibu budget.
ROP Teachers	1.2	1100	93,960	
Elementary Summer School-teacher hourly		1130	30,000	
Sub Teachers PD		1160	17,000	
Bilingual Stipends		1190	10,000	
Director- Student Services/SpEd/Alternative Ed.	1	1314	112,000	
Music Coordinator-stipend	0.2	1190/1316	21,656	
Chief Academic Officer	1	1321	140,000	
Clerical Support **	2	2410	104,000	
Summer School- Clerical hourly		2430	2,500	
Benefits		3XXX	187,692	
Textbooks		41XX	250,000	
Supplies		4XXX	8,350	
Contracts/Services		5XXX	28,700	
TOTAL	6.4		1,084,158	
** possible area of reduction				
Community Liaison(Resource 00030 in 2015-16)	FTE	Object Code	Cost	Assumptions
Sub Teachers		1160	20,000	Community Liaison, 1 FTE, average salary cost/FTE. Health and welfare estimated at \$13,000/FTE. Statutory benefits 16% for certificated, 25% for classified. Substitute teachers, students assistants, supplies and services 20 % of Santa Monica-Malibu budget.
Bilingual Community Liaison	1	2925	42,500	
Student Assistants		2933	12,400	
Benefits		3XXX	23,625	
Supplies		4XXX	33,160	
Contracts/Services		5XXX	42,840	
TOTAL	1		174,525	

Music	FTE	Object Code	Cost	Assumptions
Elementary Music Teachers	1.6	1110	120,108	Elementary Music FTE, 1.6 FTE, average salary cost/FTE. Health and welfare estimated at \$13,000/FTE. Statutory benefits 16% for certificated, 25% for classified. Hourly, substitute teachers, activity specialists, special services and security , supplies and services 20 % of Santa Monica-Malibu budget.
Hourly		1130	500	
Sub Teachers		1160	1,600	
Extra duty		1170	2,140	
Physical Activity Specialist		2161	6,000	
Security-Overtime		2244	500	
Special Services-classified		2917	100	
Benefits		3XXX	42,346	
Supplies		4XXX	1,212	
Contracts/Services		5XXX	21,492	
TOTAL	1.6		195,998	
Resource 07090(Resource 00030 in 2015-16)				
Resource 07090(Resource 00030 in 2015-16)	FTE	Object Code	Cost	Assumptions
Teacher(1 FTE is included in 2015-16 projection)	0.6	1110	42,270	Support Teacher/Coach .6 FTE, Instructional Assistant, 1 FTE, Student Intervention Specialist 1FTE, average salary cost/FTE. Health and welfare estimated at \$13,000/FTE. Statutory benefits 16% for certificated, 25% for classified, supplies 20 % of Santa Monica-Malibu budget.
Coordinator -See Ed Services				
Instructional Assistants- non FT		2120	0	
Student Intervention Specialist	0.5	2914	30,758	
Bilingual Community Liaison	1	2925	38,900	
Benefits		3XXX	44,715	
Supplies		4XXX	1,774	
TOTAL	2.1		158,417	

Student Services	FTE	Object Code	Cost	Assumptions
Director-see Educational Services	0	1314	0	Home Hospital hourly teachers, supplies and services 20 % of Santa Monica-Malibu budget. Statutory benefits 16% for certificated, 25% for classified. Director and clerical support are included in Educational Services budget.
Home Hospital Teachers Hourly		1130	20,000	
Clerical Support	0	2410/2910	0	
Benefits		3XXX	3,200	
Supplies		4XXX	1,400	
Contracts/Services		5XXX	19,200	
TOTAL	0		43,800	

Health Services	FTE	Object Code	Cost	Assumptions
Nurse	1	1214	89,223	Nurse 1 FTE, Nurse Asst. 1.3, average salary cost/FTE. Health and welfare estimated at \$13,000/FTE. Statutory benefits 16% for certificated, 25% for classified, hourly supplies 20 % of Santa Monica-Malibu budget.
Nurse Hourly		1234	2,500	
Clerical-Nurse Asst	1.3	2420	39,896	
Clerical Support	0	2900	0	
Benefits		3XXX	54,551	
Supplies		4XXX	1,100	
Contracts/Services		5XXX	1,020	
TOTAL	2.3		188,290	

Insurance	FTE	Object Code	Cost	Assumptions
Supplies		4XXX	13,800	Supplies, contracts and equipment 20% of Santa-Monica Budget. Malibu Unified School District will need to procure property/liability insurance.
Contracts/Services		5XXX	270,407	
Equipment		6XXX	5,000	
TOTAL	0		289,207	

Theater Operations and Facilities	FTE	Object Code	Cost	Assumptions
Physical Activity Specialist	1.4	2111	46,488	Physical Activity Specialist 1.4 FTE, average salary cost/FTE. Health and welfare estimated at \$13,000/FTE. Statutory benefits 25% for classified, hourly supplies 20 % of Santa Monica-Malibu budget.
Benefits		3XXX	29,822	
Supplies		4XXX	15,000	
TOTAL	1.4		91,310	

Business/Fiscal Services	FTE	Object Code	Cost	Assumptions
CBO	1	2300	140,000	Suggested salary CBO, 1FT current salary, Technicians 2 FT average salary cost/FTE. Health and welfare estimated at \$13,000/FTE. Statutory benefits 25% for classified, hourly supplies 20 % of Santa Monica-Malibu budget.
Technicians	2	2410	113,930	
Purchasing Technician	0	2410	0	
Benefits		3XXX	102,483	
Supplies		4XXX	4,900	
Contracts/Services		5XXX	87,470	
TOTAL	3		448,783	

Information Technology	FTE	Object Code	Cost	Assumptions
Coordinator*	1	2300	133,000	Coordinator current salary, Technicians 3 FTE, average salary cost/FTE. Health and welfare estimated at \$13,000/FTE. Statutory benefits 25% for classified, hourly supplies 20 % of Santa Monica-Malibu budget. Equipment flat amount estimate.
Technicians	3	2910	152,857	
Benefits		3XXX	123,464	
Supplies		4XXX	7,875	
Contracts/Services		5XXX	99,260	
Equipment		6XXX	20,000	
TOTAL	4		536,456	

SMMEF and Stretch Grant	FTE	Object Code	Cost	Assumptions
Certificated		1XXX	306,416	Certificated Coaches, classroom aides, benefits and contracted services based on SMMUSD data.
Classified		2XXX	156,900	
Benefits		3XXX	152,961	
Contracts		5XXX	124,908	
TOTAL			741,185	

Home to School and Special Education Transportation	FTE	Object Code	Cost	Assumptions
Director-shared position with Maintenance and Operations	0	2314	0	1 FTE of a Director level position and clerical support will be shared between Maintenance, Operations and transportation(MOT). There are no home to school transportation services offered in Santa Monica; therefore all costs of home to school transportation budget assumed by Malibu. Sp Ed. transportation costs based on split of routes.
Clerical Support-Dispatch	1	2410	62,208	
Bus Drivers	11.25	2218	406,275	
Bus Driver Mechanic-hourly		2238	20,000	
OT		2248	20,000	
Benefits		3XXX	259,205	
Supplies		4XXX	160,000	
Contracts/Services		5XXX	150,000	
Equipment		6XXX	25,000	
TOTAL	12.25		1,102,688	

Utilities	FTE	Object Code	Cost	Assumptions
Natural Gas		5XXX	34,060	20% of SMMUSD budget
Light and Power		5XXX	249,950	
Water		5XXX	140,000	
Stormwater Use		5XXX	8,000	
Waste Disposal		5XXX	52,000	
Alarm Fire/Silent		5XXX	4,000	
Communication		5XXX	35,000	
TOTAL			523,010	

Site Budget-Current Staffing Costs-District Provided Data	FTE	Object Code	Cost	Assumptions
Certificated		1XXX	7,426,306	Consider staffing reserve for K-3 Grade Span. Budget model follows current level for base site staff. Costs for Vision for Student Success are not included. Current per student site supply allocations are included.
Classified		2XXX	1,571,036	
Benefits		3XXX	2,905,961	
Supplies		4XXX	134,436	
Services		5XXX	0	
Total			12,037,739	

TOTAL UNRESTRICTED RESOURCE			18,791,633	
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RESTRICTED GENERAL FUND

Facilities, Maintenance and Grounds	FTE	Object Code	Cost	Assumptions
Maintenance Workers	2	2210	120,000	Director of MOT, 1 FTE current salary, Maintenance workers 2 FTE, Grounds 2 FTE, Clerical 1 FTE, average salary cost/FTE. Health and welfare estimated at \$13,000/FTE. Statutory benefits 25% for classified, hourly supplies 20 % of Santa Monica- Malibu budget.
Custodian-included in site costs	0	2212	0	
Grounds	2	2213	83,600	
Director Maintenance Operations Transportation*	1	2300	85,020	
Clerical Support	1	2410	48,744	
Benefits		3XXX	162,341	
Supplies		4XXX	91,035	
Contracts/Services		5XXX	119,326	
Total			710,066	

Special Education-split on ADA not on student count

	FTE	Object Code	Cost	Assumptions
Compensation includes certificated, classified and benefits		1110	3,482,229	Revenue and staffing are split based on enrollment. This model will need to be examined in more detail to ensure that both revenue and costs are allocated based on current SELPA revenue allocation plan and student of residence data.
Supplies		4XXX	4,000	
Contracts/Services		5XXX	398,874	
Unrestricted- Psychologist .55 FTE			67,721	
Total			3,952,824	

Restricted site budgets-current models used	FTE	Object Code	Cost	Assumptions
Certificated		1110	14,607	Budget is based on District provided data.
Classified		2XXX	28,325	
Benefits		3XXX	6,774	
Supplies		4XXX	204,454	
Services		5XXX	136,819	
Total			390,979	

PROPOSED

MALIBU UNIFIED SCHOOL DISTRICT-
PROPOSED BUDGET 2014-15

PROPOSED

*salary could be adjusted

Local Contributions

3,235,031

Appendix C

Rights of Employees Under Reorganization

The following information is an excerpt from Chapter 9 of the California Department of Education District Organization Handbook, July 2010 pages 157-160

According to the Handbook Classified Employees are effected in the following manner after reorganization.

Any reorganization of a school district shall not affect the rights of persons employed in positions *not* requiring certification to retain the salary, leaves, and other benefits that they would have enjoyed, had the reorganization not occurred. (EC 35556, 45121)

In a reorganization, the following general rules apply:

- An employee of an original district that is included in a new district shall become an employee of the new district. (EC 35556[a])
- Employees of a district regularly assigned to the territory being lost to another district shall become employees of the new district. Those whose assignments pertain to that territory, but who are not actually sited there, may elect to either remain with the original district or become employees of the new district. (EC 35556[b])
- If a district's territory is completely absorbed into two or more districts, regular employees will become employees of the district acquiring the respective territory. Employees not assigned to specific territory within the original district will join the district of their choice. (EC 35556[d])
- Employees regularly assigned to a particular school shall be employees of the district in which the school is located unless the employee elects to remain with the original district. (EC 35556[e]) Certain conditions apply to the employee's ability to remain with the original district. (EC 35556[c]), 44035]
- In a new unified district, *noncertificated* employees shall continue in employment for not less than two years. (EC 45121)
- As used in this section and in the subsequent section on certificated employees, "the school or other place in which any such employee is employed" and all references thereto, includes but is not limited to, the school services or school program that as a result of any reorganization of a school district will be provided by another district, regardless of whether any particular building or buildings in which such schoolwork or school program was conducted is physically located in the new district, and regardless of whether any new district resulting from such reorganization elects to provide for the education of its pupils by contracting with another school district until such time as the new district constructs its own facilities.

- Except as stipulated earlier, nothing in the above section shall deprive the governing board of the acquiring district from making reasonable assignments of duties.

According to the Handbook Certificated Employees are effected in the following manner after a reorganization.

The reorganization of school districts shall not affect the classification of certificated employees already employed by any affected school district. (EC 35555) The new district shall offer employment as follows:

- Permanent employees assigned to a building located within the new district shall remain at the school or facility to which they had been previously assigned, unless they elect to remain with the original district. (EC 35555, 44035)
- Probationary employees assigned to a building located within the new district shall be employed by the new district unless the probationary employee is terminated by such a district prior to May 15. If employment continues, the probationary status shall remain unchanged. (EC 44803, 44949, 44955)
- Permanent employees must select the district in which they choose to work before February 1 of the year in which the reorganization becomes effective for all purposes. The request may be made to either the board of the new district or the board of the original district. (EC 35555)
- If permanent employees elect to stay with the remainder of the original district in such numbers that the district does not have sufficient positions to accommodate all the employees, then the surplus employees may be dismissed in reverse order of their seniority. (EC 44955)
 - Should the anticipated attrition of staff in the original district be approximately offset by the decline in enrollment in that district, including the loss of transferred students, this aspect may be used to diminish the number of offers of employment extended by the receiving district. (EC 44955)

According to the handbook salaries after reorganization is handled in the following manner.

The power to determine employees' salaries resides with the governing board of a school district. The board must determine the salary policy of a newly created district. (EC 45022, 45160)

Nonunified District

- The *Education Code* provides for the creation of a revenue limit that may equalize the differences between high salaried districts and lower salaried districts. (EC 35730 et seq.) The new board may or may not adopt a salary schedule equal to or better than the best salary schedule of the original districts. All employees are entitled to transfer to the new district the benefits they accrued prior to reorganization. (EC 44976, 44984)

Unified District

- The board of a new unified district may or may not adopt a salary schedule equal to or better than the best salary schedule of the original districts. The board has the power to increase or decrease salaries, and the new board could establish a lower salary schedule for teachers, thus decreasing their salaries. However, all noncertificated personnel must receive, for a period of two years, salaries, and benefits equal to those existing at the time of the election. (EC 45022, 45121, 45160) In summary, a new unified school board may reduce certificated employees' salaries but may not reduce noncertificated employees' salaries.

Other areas covered under this section are:

Adoption of Merit System: for reorganizations other than unifications, the governing board of the acquiring or new district must—if a majority of the classified employees voting on the adoption of a merit system approve—adopt the merit system that had been adopted in the school district territory it acquired. For unifications, the governing board must employ classified employees in accordance with the system specified in Chapter 5, Article 6 (commencing with EC Section 45240) if an affected district had a merit system and a majority of the classified employees voting approve. In both cases, governing boards must adopt a merit system if the reorganized district contains all or part of the territory of two or more districts that had merit systems. Governing boards also have the option of adopting a merit system if the classified employees do not request an election and the number of classified employees from a former merit system district exceeds the number of employees from the acquiring nonmerit system district. (EC 45119, 45120).

Role of Public Employment Relations Board (PERB).

PERB has jurisdiction over employer-employee relations matters affecting all school districts. School districts and exclusive bargaining representatives for employees should be advised to contact PERB to determine whether employee unions in the former district(s) may continue to represent the new district's employees and to determine the future validity of existing collective bargaining agreements.

Statutory provisions relating to the PERB's formation, its powers and duties, and procedures for handling charges of unfair labor practices are found in *Government Code* sections 3541–3541.5.

Exemption from FICA for Pre-1986 Employee Wages

Wages of public employees hired prior to April 1, 1986, are not subject to the *Federal Insurance Contributions Act* (FICA) as long as the employee is continuously employed by the public agency. There is no definitive answer to the question of whether or not a school district unification results in a change of employer, thus breaking the continuous employment requirement for FICA exemption and causing employee wages to be subject to FICA. On one hand, a number of employees could have a new employer after a successful unification. On the other hand, the *Education Code* guarantees employees that there will be no change in their rights, status, or classification.

In the past, districts have received private letter rulings from the Internal Revenue Service (IRS) stating that unification of the districts does not violate the continuous employment requirement for FICA. It is recommended that districts, after unification, consult with legal counsel or IRS for a similar determination.

Appendix D

MEMORANDUM

To: Financial Oversight Committee

From: Malibu Unification Bond Subcommittee

Date: February 9, 2015

This Memorandum conveys the Subcommittee's thoughts to date relating to issues surrounding issued bonds, unspent proceeds of issued bonds, authorized but unissued bonds and future bonds not currently authorized. It also includes our thoughts relating to pending and threatened litigation involving certain Malibu matters.

In preparing this Memorandum, the Subcommittee met with Tony Hsieh of Keygent, the District's bond advisor, to discuss a Presentation he put together regarding future bond issues (the "**Hsieh Presentation**"). In addition, Jan Maez and Tom Larmore discussed these issues with attorneys Janet Mueller and Bill Tunick of the San Diego law firm of Dannis Woliver Kelley ("**DWK**"), the firm that represented Centinela Valley Union High School District in the Wiseburn unification. In connection with that call, DWK put together a matrix which provided a useful framework (the "**DWK Matrix**") and the Subcommittee met again to discuss the DWK Matrix. We had previously reviewed a memorandum dated November 12, 2013 from WestEd to Craig Foster (the "**WestEd Memo**") and a letter dated September 22, 2014 from Marguerite Leoni of the law firm of Nielsen Merksamer to Craig Foster (the "**Leoni Letter**"). Attached to this Memorandum are copies of all four of these documents.

A. Issued Bonds.

1. "General Obligation" Bonds. As of June 30, 2014, SMMUSD (the "**District**") had about \$315MM in total outstanding "general obligation" bonds: about \$68MM in pre-BB bonds and \$247MM in BB bonds. In August, 2014, the District issued \$30MM in bonds under Measure ES for a current total of about \$345MM less any principal payments that have been made.¹ While these bonds are designated as "general obligation" bonds, the only source of payment is assessments against real property in the current District boundaries; they are not technically general obligations of the District payable from any other assets. Therefore, a separation into two districts would not affect bondholders - the bonds would continue to be paid based on property assessments as if there had been no separation and bondholders would have no access to assets of either a Santa Monica Unified School District ("**SMUSD**") or a Malibu Unified School District ("**MUSD**").

¹ Tony Hsieh used about \$302MM in currently outstanding bonds. See Hsieh Presentation ("HP") p. 2.

2. Allocation of Indebtedness. Following a separation, SMUSD, as the continuation of the District, would be treated as having been the issuer of these bonds and, at least nominally, be fully liable for the aggregate outstanding debt. However, Section 35576(b) requires that a portion of that debt be paid by the new MUSD.² The portion of the debt required to be paid by MUSD would be determined in one of three ways, as may be specified in the unification petition:

(a) Section 35576(b)(1) uses the percentage of the aggregate assessed valuation of property in the District which is located in the MUSD area in the year immediately preceding the date of the separation. Currently, that percentage would be about 29.5%.³ (For ease of discussion, this Memorandum assumes a 30% share for Malibu recognizing that it will be whatever it is at the date of separation.) The proportion allocable to MUSD would not change throughout the lives of the outstanding bonds irrespective of future changes in respective property values.

(b) Section 35576(b)(2) uses the portion of the outstanding bonded indebtedness incurred for the acquisition or improvement of school property located within the boundaries of new MUSD. Determining the MUSD portion on this basis presents practical difficulties, particularly with respect to expenditures made with pre-BB bond proceeds. Therefore, this does not appear to be a viable method.

(c) Section 35576(b), through a reference to Section 35738,⁴ permits allocation in any other manner which would provide “greater equity.” Considerations may be “assessed valuation, number of pupils, property values, and other matters which the petitioners or county committee deems pertinent.”

Theoretically, the method of allocation can make a difference to property owners in the respective districts because they would be responsible for their proportionate share of the indebtedness, as determined. For example, if method (b) were used and it was determined that 20% of the bond proceeds had been used in the MUSD area, then property owners in that area would only be responsible for 20% of the payments due under the bonds each year and Santa Monica property owners 80%. Of course, the share borne by Malibu property owners would increase with a corresponding decrease for Santa Monica property owners if it were determined that 40% of the bond proceeds had been spent in Malibu. The Subcommittee recommends that the petition specify allocation method (a) because: (i) attempting to apply method (b) is not practical; (ii) we didn't see any basis upon which to conclude that another allocation would provide “greater equity”; and (iii) method (a) would correspond to the current allocation.⁵

² All references to “Sections” means provisions of the Education Code. The full text of Section 35576 is set forth on pages 1 and 2 of the Leoni Letter.

³ Hsieh Presentation, p.1.

⁴ The full text of Section 35738 is set forth on page 3 of the Leoni Letter.

⁵ Although if there were no separation, the proportion paid by Malibu and Santa Monica taxpayers could change with changes in respective property values.

3. Certain Ancillary Issues. There two issues relating to outstanding bonds that the Subcommittee has briefly addressed but which need further attention:

(a) Impact on Bonding Capacity. The WestEd Memo raises the question whether the bonding capacity of SMUSD would be reduced by the full amount of the issued and outstanding bonds even though a portion of the indebtedness had effectively been allocated to MUSD.⁶ (It's not clear whether this is an important issue because, as discussed below, Tony Hsieh believes that the restraint on the timing of new bond issues won't be the bonding capacity of SMUSD but the ability to keep the aggregate bond payments limited to \$30/\$100,000 of assessed valuation.) While it certainly seems reasonable to permit SMUSD to deduct the Malibu portion of outstanding indebtedness in calculating its bonding capacity, the mechanism for allowing it to do so isn't clear. WestEd suggested that this problem could be resolved in the petition but it's possible it might require special legislation.

(b) Future Refinancing. It's possible that refinancing of outstanding bonds would prove desirable at some point due to the movement of interest rates or other factors. However, the mechanism for doing so isn't clear to the Subcommittee at this point. SMUSD probably wouldn't have the authority to issue new bonds for this purpose which were backed, in part, by Malibu property even though the bonds being paid did have that support. Neither the Leoni Letter nor the DWK Matrix addresses this question and special legislation may be required.

B. Unspent Bond Proceeds.

Currently, there are unspent bond proceeds from both BB and ES bonds. (Of course, it is likely that the District will issue another series of ES bonds before any separation could become effective thereby generating more unspent proceeds - the June 5, 2014 Board Resolution authorizing the issuance of Series A authorized up to \$75MM.) The Subcommittee believes that the allocation of these proceeds should be included in the petition. To the extent that the proceeds have been earmarked for specific projects, the funds could be divided in that manner. To the extent that they have not been earmarked, another method, such as the 80%/20% contemplated in the Board's ES resolution could be used with the split taking into account previous expenditures as well as the allocations of the earmarked funds. In any event, this appears to be an issue that can be resolved in the petition.

The Subcommittee assumes that if bond proceeds are transferred to MUSD, some Proposition 39 committee would be required to oversee the expenditures. We are unsure as to whether this would be a new committee created by MUSD or the existing committee.

⁶ WestEd Memo, p.3-4

C. Authorized But Unissued ES Bonds.

At the moment, an additional \$355MM remains in bonding authority under Measure ES. What happens to this authority in the context of a separation? How is this impacted, if at all, by the Board's ES resolution stating that not less than 20% of the net bond proceeds are to be spent on projects benefiting schools in Malibu?⁷

It is the Subcommittee's understanding that in the absence of special legislation directing a different result, it is likely that SMUSD, as the continuing district, would retain the authority to issue the remaining \$355MM in bonds and they would be paid for through assessments solely against property in Santa Monica. This conclusion is based upon advice from DWK and is reflected on the DWK Matrix. However, there is apparently no provision in the Education Code directly on point, as noted in the discussion that starts on page 4 of the Leoni Letter. Ms. Leoni notes that in the somewhat, but not identical, situation where an existing district is divided and the original district ceases to exist, Section 35577 requires the board of supervisors to allocate the bonding authority between the two new districts based upon respective assessed valuations. She points out, however, that because a Malibu separation would not result in the District ceasing to exist, Section 35577 is not directly applicable.⁸ Therefore, in order to allocate the bonding authority between SMUSD and MUSD, Ms. Leoni and DWK both believe that special legislation would be necessary.

In the absence of separation, Tony Hsieh demonstrates that it should be possible to issue the remaining bonds through five more series, one every two years in the amount of \$71MM starting this year with all bonds being issued by 2023.⁹ However, if separation occurs and SMUSD is to issue the remaining \$355MM, it would obviously give SMUSD more money than Santa Monica schools would receive in the absence of separation – for example, \$355MM instead of \$284MM with Malibu schools receiving a minimum of 20% equaling \$71MM – but, as demonstrated by the Hsieh Presentation, due to the 30% reduction in property values through the loss of Malibu property, it will take considerably longer to issue bonds in that amount, or even totaling \$284MM. (Compare the schedule on page 5 of the Hsieh Presentation, which assumes Malibu property is included with that on page 6 which assumes only Santa Monica property backs up the bonds.) The limiting factor is maintaining a maximum tax rate of \$30/\$100,000 of assessed valuation in the aggregate. (Note that this is not a legal requirement but would be necessary in order to adhere to the tax rate estimate given to the voters in connection with the ballot measure. The legal maximum is \$60/\$100,000 for all ES bonds in the aggregate.)

⁷ Surprisingly, this mandatory minimum allocation did not appear in the ballot language itself, only in the Board resolution and in the County Counsel's impartial analysis. And, of course, it does not preclude spending more than 20% of the bond proceeds in Malibu.

⁸ There's an assumption in this sentence that separation will not result in SMUSD also being treated as a new district with the District ceasing to exist. We understand that this has been discussed with the State Board of Education and the District has been assured that SMUSD would be a continuing district so that, for example, there would not need to be a new Board election.

⁹ Hsieh Presentation, p.5

If the policy decision is to grant MUSD authority to issue a portion of the remaining ES bonds, it seems clear to both Ms. Leoni and DWK that special legislation would be necessary. Because this has been done before in other contexts, it shouldn't be a major hurdle to get someone like Richard Bloom who represents both Santa Monica and Malibu to carry a bill agreed on by all parties. There would be a need to discuss how much of the authority is given to each district since the assessed valuation split of 70%/30% differs from the 80%/20% split of bond proceeds contemplated by the Boards ES Resolution.

Neither solution leaves Santa Monica where it thought it was under Measure ES which was to have up to 80% of the ES bond proceeds available for Santa Monica schools with only 70% of the bonded indebtedness being paid for by Santa Monica property owners. The reasons for the mismatch are that there was (and is) a much greater perceived need for capital expenditures on Santa Monica schools, Santa Monica High School in particular, and the 80%/20% split roughly mirrors the pupil breakdown. The only way to achieve this result would be to have special legislation giving SMUSD the power to issue ES bonds backed by all property that was in the District prior to separation and requiring SMUSD to transfer a portion of the net bond proceeds to MUSD in amounts which would preserve the 20% allocation to Malibu schools. A similar structure was included as a part of the special legislation surrounding the Wiseburn/Centinela Valley separation.

One additional dilemma is the absence of any body with authority to negotiate this issue on behalf of Malibu property owners. Therefore, in addition to special legislation, it would probably be necessary to have the allocation be included as one item of the ballot measure authorizing the separation.

Another unknown is the impact of separation on the AA credit rating of the District since it is possible that neither SMUSD nor MUSD could achieve that same level. Tony Hsieh advised us that a one-level drop in the rating would probably equate to a 15 basis point increase in the interest rate that would be required to be paid on new bond issues.

D. Future Bonds. The preliminary master plan prepared for the District some years ago (and which is badly in need of an update) anticipated capital expenditures of around \$1BB, or approximately another \$347MM. As with the unissued ES bonds, SMUSD could issue those bonds more quickly if Malibu property were assessed than if not.¹⁰ However, SMUSD could not gain this authority without special legislation and any such legislation would probably need to authorize the creation of a joint powers authority made of representatives of both SMUSD and MUSD.

¹⁰ See Hsieh Presentation, p. 7-8

E. Litigation.

The Subcommittee is aware of one pending lawsuit against the District related to Malibu and one threatened.

The pending lawsuit challenges the adequacy of the CEQA analysis relating to installation of lights at Malibu High School - we do not believe it seeks monetary damages against the District. Presumably, if there were a separation, MUSD would step into the District's position with respect to this litigation and the District, now being SMUSD, would be dismissed - SMUSD would no longer have any jurisdiction over installation of the lights. Presumably and funds earmarked for this project would be transferred to MUSD as a part of the allocation of assets. However, we have not reviewed the Complaint or analyzed the legal procedures that would be involved.

The threatened lawsuit revolves around the disputed procedures followed by the District with respect to the investigation and remediation of PCBs in certain Malibu classrooms. It is the Subcommittee's position that any separation would need to be conditioned upon a release of any such claim to the extent that it might continue to apply to SMUSD. At least a majority, if not all, of the Subcommittee members believe that MUSD should be obligated to indemnify SMUSD for any exposure to future claims because any responsibility to deal with the Malibu facilities would, following a separation, be under the sole jurisdiction of MUSD. Whatever our position regarding the final outcome, we all believe that the presence of these claims is a major hindrance to the achievement of a separation. Clearly, this subject needs further analysis, not only as to the proper allocation of responsibility, but as to the means to achieve that allocation.

January 21, 2015

Santa Monica-Malibu Unified School District

Presentation to Financial Oversight Committee

Southern California Office

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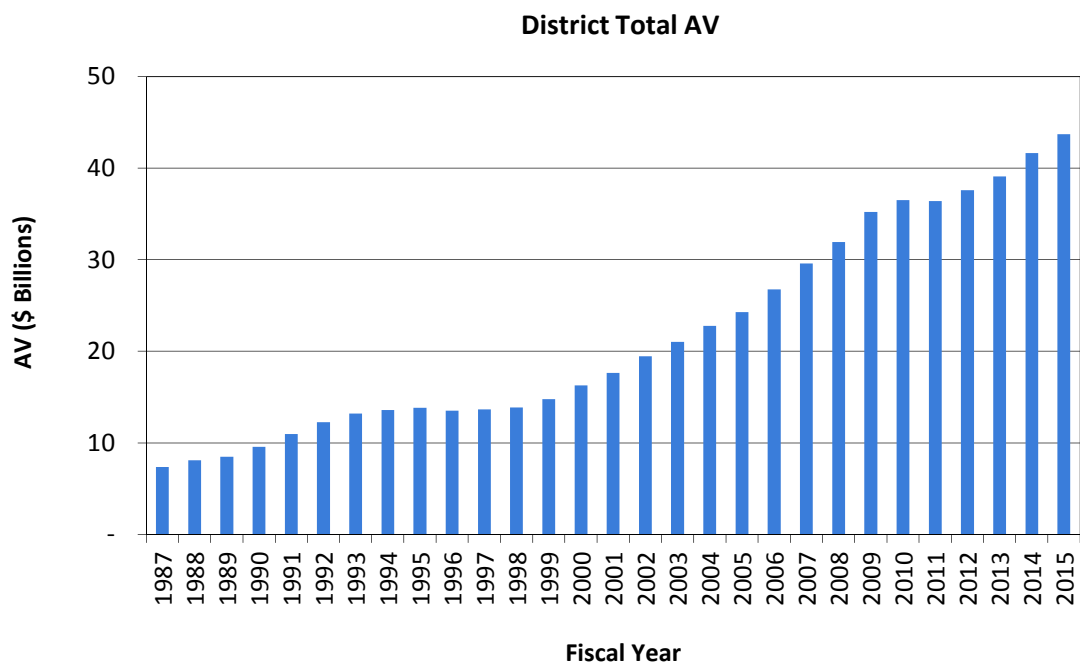


District Assessed Value ⁽¹⁾

The District's assessed value ("AV") has rebounded since the recent real estate decline

- ◆ The City of Malibu accounts for 29.47% of the District's 2014-15 AV

FY	Total AV ⁽¹⁾	Annual % Change
1987	\$ 7,363,965,000	
1988	8,115,946,000	10.21 %
1989	8,497,040,000	4.70
1990	9,569,512,000	12.62
1991	10,959,403,000	14.52
1992	12,247,660,396	11.75
1993	13,212,295,256	7.88
1994	13,589,734,588	2.86
1995	13,831,788,934	1.78
1996	13,517,085,904	-2.28
1997	13,644,313,888	0.94
1998	13,879,224,941	1.72
1999	14,755,885,770	6.32
2000	16,268,617,035	10.25
2001	17,652,511,583	8.51
2002	19,440,867,781	10.13
2003	21,014,678,438	8.10
2004	22,755,683,025	8.28
2005	24,274,572,281	6.67
2006	26,750,651,775	10.20
2007	29,570,115,254	10.54
2008	31,926,254,125	7.97
2009	35,219,582,002	10.32
2010	36,517,722,578	3.69
2011	36,397,355,982	-0.33
2012	37,576,796,540	3.24
2013	39,101,560,390	4.06
2014	41,637,140,788	6.48
2015	43,691,489,591	4.93



Growth Statistics

Annualized Growth Rates:		Lowest Rolling Averages:	
1-year:	4.93 %	3-year:	0.11 %
5-year:	3.65	5-year:	0.99
10-year:	6.05	10-year:	4.73
15-year:	6.81	15-year:	6.05
20-year:	5.92	20-year:	5.57
25-year:	6.26	25-year:	6.26

(1) Source: California Municipal Statistics, Inc. and Los Angeles County.

District Bonding Capacity

The District's bonding capacity is a **statutory** limit on the amount of general obligation bonds that can be issued

- ◆ Based on:
 - Current AV multiplied by statutory debt limit factor
 - Less: outstanding general obligation bonds
- ◆ Statutory debt limit factor of 2.50% of AV for unified school districts

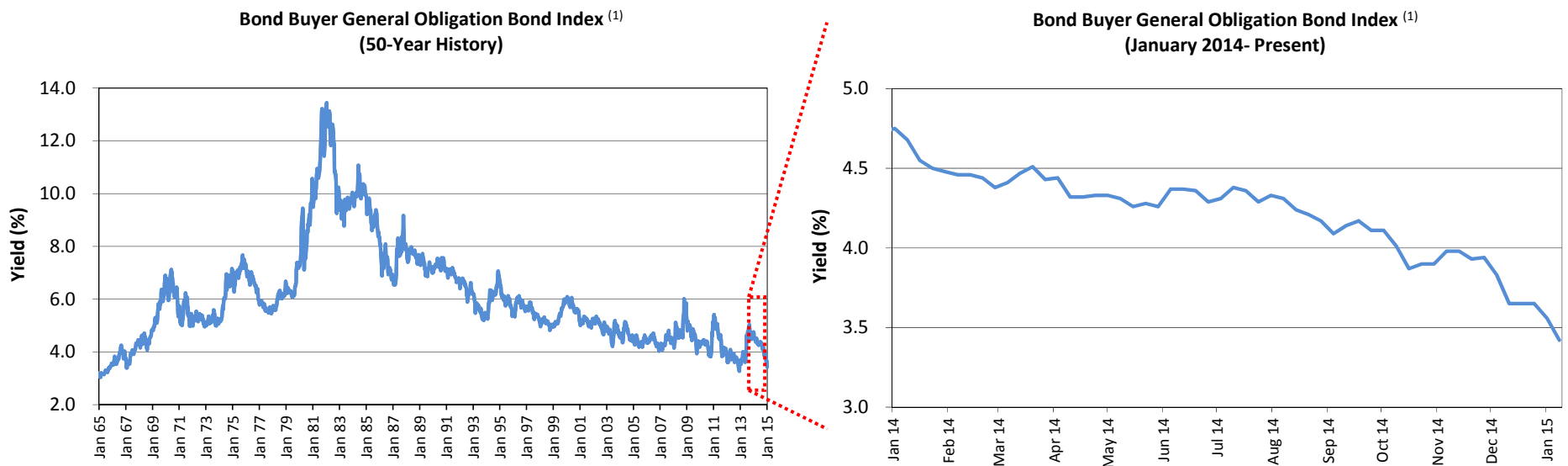
Estimated Current Bonding Capacity ⁽¹⁾

2014-15 Total AV	\$ 43,691,489,591
Statutory Debt Limit Factor	x <u>2.50%</u>
Bonding Capacity	1,092,287,240
Outstanding General Obligation Bonds	(301,983,055)
Available Bonding Capacity	\$ 790,304,185

(1) Subject to confirmation by the Los Angeles County Auditor-Controller.

Interest Rates

Municipal bond interest rates have recently experienced significant declines



(1) Index reflects average yield to maturity of 20 general obligation bonds with 20-year maturities rated Aa2 by Moody's Investors Service and AA by Standard and Poor's. Source: The Bond Buyer & Bloomberg.

Summary of Measure ES

On November 6, 2012 the District was authorized by voters to issue \$385 million of general obligation bonds under Proposition 39

- ◆ Passed with a 68.06% affirmative vote
 - 55% voter approval required
- ◆ Estimated tax rate of \$30 per \$100,000 of AV
 - Proposition 39 legal maximum: \$60 per \$100,000 of AV

On August 13, 2014 the District issued Series A of Measure ES for \$30 million

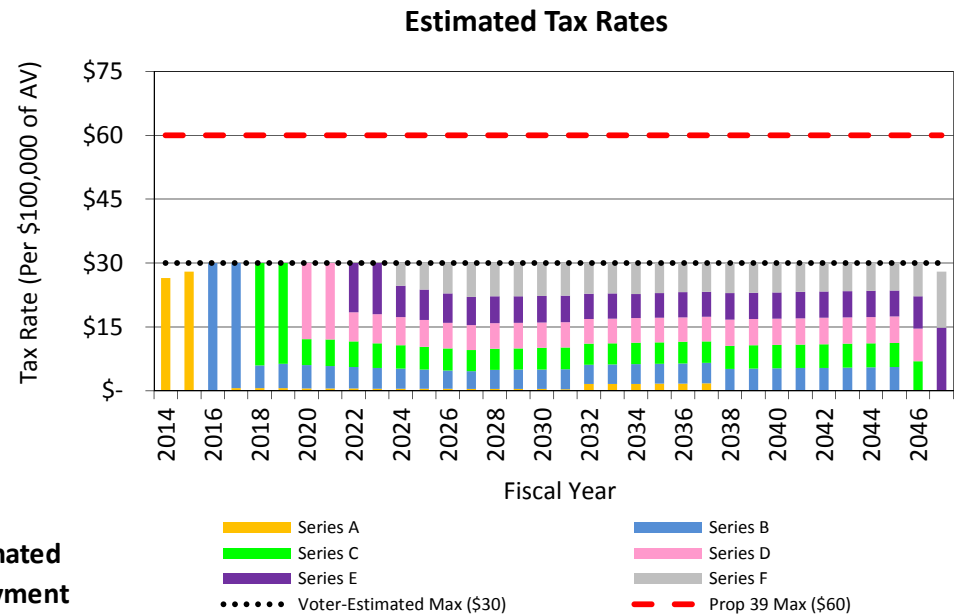
- ◆ 100% current interest bonds (“CIBs”)
- ◆ All-inclusive cost: 3.499%
- ◆ Final maturity: July 1, 2037

Remaining Measure ES – Including Malibu

The District can access the remaining \$355 million Measure ES authorization by 2023 using all CIBs under the below assumptions

◆ **Assumptions:**

- Interest rates: 5.25% - 6.75%
- Annual AV growth:
 - 2015-16: 3.00%
 - Thereafter: 4.00%
- Secured AV delinquency: 5.0% ⁽¹⁾



Prospective Issuance Schedule ⁽²⁾

Issue	Issue Date	Proceeds	Interest Rate		Estimated Repayment	
			Assumption	% CABs	Ratio	
Series A	August 2014	\$ 30,000,000	3.50 %	0.00 %	1.21 to 1	⁽³⁾
Series B	July 2015	71,000,000	5.25	0.00	1.99 to 1	
Series C	July 2017	71,000,000	5.75	0.00	2.13 to 1	
Series D	July 2019	71,000,000	6.25	0.00	2.22 to 1	
Series E	July 2021	71,000,000	6.50	0.00	2.38 to 1	
Series F	July 2023	71,000,000	6.75	0.00	2.44 to 1	
Total		\$ 385,000,000		0.00 %	2.15 to 1	

(1) Per the Los Angeles County Auditor Controller’s Office.

(2) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District’s facility needs.

(3) Previously issued financing.

Remaining Measure ES – No Malibu

The District can access the remaining \$355 million Measure ES authorization by 2032 using CIBs and capital appreciation bonds (“CABs”) under the below assumptions

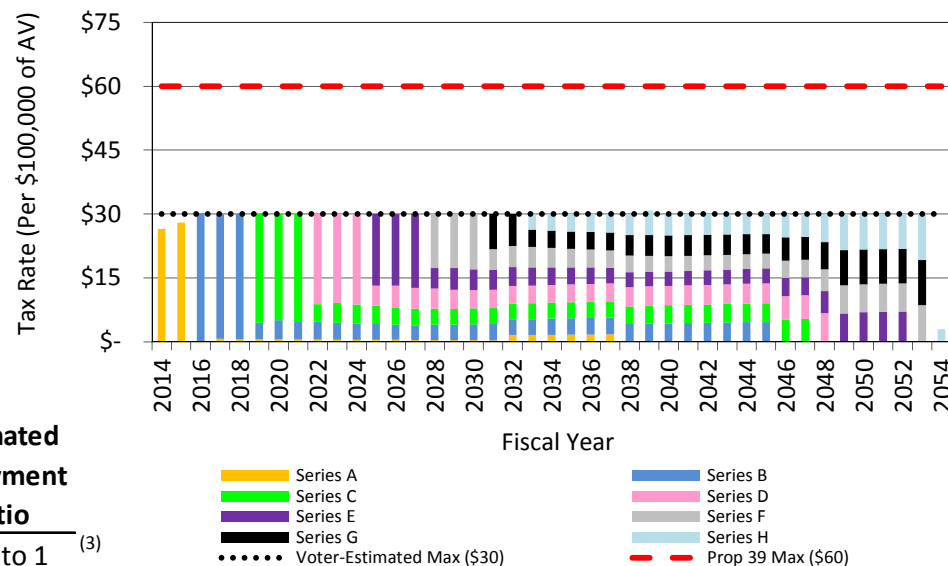
◆ **Assumptions:**

- Interest rates: 5.25% - 6.75%
- Annual AV growth:
 - 2015-16: 3.00%
 - Thereafter: 4.00%
- Secured AV delinquency: 5.0% ⁽¹⁾

Prospective Issuance Schedule ⁽²⁾

Issue	Issue Date	Proceeds	Interest Rate Assumption	% CABs	Estimated Repayment Ratio
Series A	August 2014	\$ 30,000,000	3.50 %	0.00 %	1.21 to 1 ⁽³⁾
Series B	July 2015	50,800,000	5.25	0.00	1.83 to 1
Series C	July 2018	50,700,000	5.75	0.00	1.94 to 1
Series D	July 2021	50,700,000	6.50	0.00	2.07 to 1
Series E	July 2024	50,700,000	6.75	0.00	2.31 to 1
Series F	July 2027	50,700,000	6.75	0.00	2.32 to 1
Series G	July 2030	50,700,000	6.75	20.81	2.42 to 1
Series H	July 2032	50,700,000	6.75	19.21	2.41 to 1
Total		\$ 385,000,000		5.27 %	2.11 to 1

Estimated Tax Rates



(1) Per the Los Angeles County Auditor Controller’s Office.

(2) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District’s facility needs. Note: In order to avoid the usage of CABs, the issuance schedule would need to be extended to July 2035.

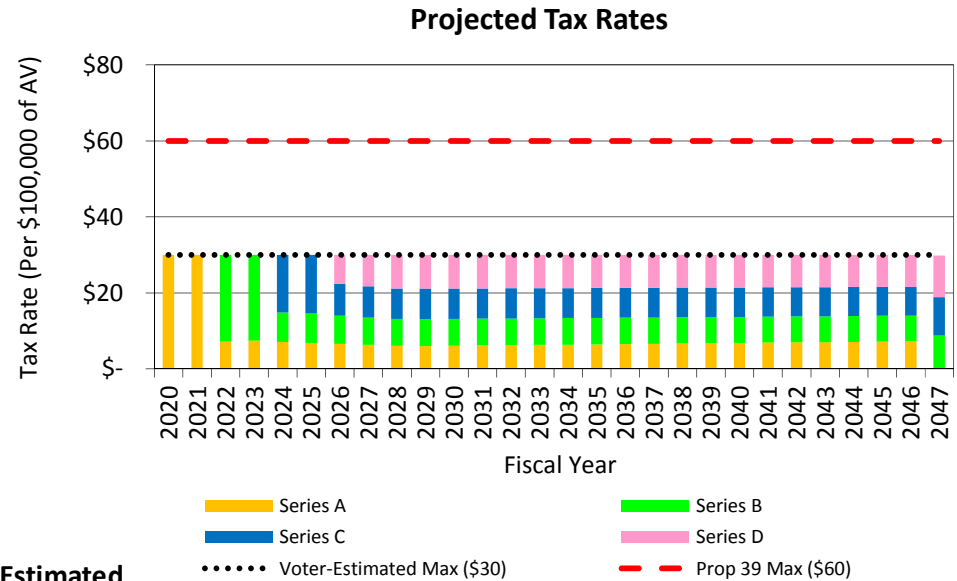
(3) Previously issued financing. Assumes the current boundaries of Santa Monica-Malibu USD would pay for the Series A debt service.

2018 Bond – Including Malibu

Summary: Request voters to approve \$347 million for bonds with a tax rate of \$30 per \$100,000 of AV and all CIBs

◆ **Assumptions:**

- Interest rates: 5.75% - 6.75%
- Annual AV growth:
 - 2015-16: 3.00%
 - Thereafter: 4.00%
- Secured AV delinquency: 5.0% ⁽¹⁾



Illustrative Issuance Schedule ⁽²⁾

Issue	Issue Date	Proceeds	Interest Rate		Estimated Repayment Ratio
			Assumption	% CABs	
Series A	July 2019	\$ 86,750,000	6.25 %	0.00 %	2.10 to 1
Series B	July 2021	86,750,000	6.50	0.00	2.16 to 1
Series C	July 2023	86,750,000	6.75	0.00	2.20 to 1
Series D	July 2025	86,750,000	6.75	0.00	2.20 to 1
Total		\$ 347,000,000		0.00 %	2.17 to 1

(1) Per the Los Angeles County Auditor Controller’s Office.

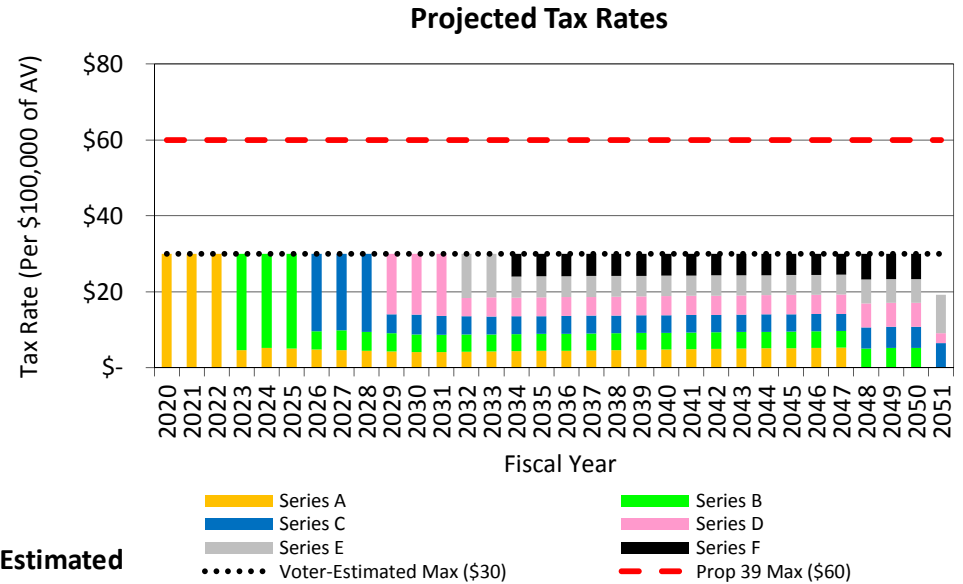
(2) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District’s facility needs.

2018 Bond – No Malibu

Summary: Request voters to approve \$347 million for bonds with a tax rate of \$30 per \$100,000 of AV and all CIBs

◆ **Assumptions:**

- Interest rates: 5.75% - 6.75%
- Annual AV growth:
 - 2015-16: 3.00%
 - Thereafter: 4.00%
- Secured AV delinquency: 5.0% ⁽¹⁾



Illustrative Issuance Schedule ⁽²⁾

Issue	Issue Date	Proceeds	Interest Rate		% CABs	Estimated Repayment Ratio
			Assumption			
Series A	July 2019	\$ 57,900,000	6.25 %		0.00 %	1.94 to 1
Series B	July 2022	57,900,000	6.50		0.00	2.02 to 1
Series C	July 2025	57,800,000	6.75		0.00	2.07 to 1
Series D	July 2028	57,800,000	6.75		0.00	2.00 to 1
Series E	July 2031	57,800,000	6.75		0.00	2.10 to 1
Series F	July 2033	57,800,000	6.75		0.00	2.16 to 1
Total		\$ 347,000,000			0.00 %	2.05 to 1

(1) Per the Los Angeles County Auditor Controller’s Office.

(2) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District’s facility needs.

Impact of Malibu Separation On Existing and Future Bonds of Santa Monica-Malibu USD

	Earlier Bonds (1998 & Measure BB) \$310 million Issued (\$ 35576)	Issued \$30 million (\$ 35576)	Measure ES (2012) \$385 million Unissued \$355 million		Future Bonds		
			Default Ed. Code	Wiseburn-like Special Legislation	Default Ed. Code	Wiseburn-like JPA & Special Legislation	
Santa Monica	Issuing Authority	N/A (Fully issued)	N/A (Bond proceeds balance split in reorganization plan)	\$355 million	\$284 million 80% of unissued bonds (based on ADA)	Based on AV within Santa Monica (\$24.6 billion)	Based on AV within Santa Monica and Malibu (~\$35.9 billion)
	Repayment	70% of remaining payments*	70% of payments*	100% of payments	70% of payments (based on AV)	Paid by remaining property owners	Paid by property owners in Santa Monica and Malibu
Malibu	Issuing Authority	N/A (Fully issued)	N/A (Bond proceeds balance split in reorganization plan)	\$0 (SBE does not consider authorized but unissued bonds as "bonded indebtedness" subject to statute)	\$71 million 20% of unissued bonds (based on ADA)	Based on AV within Malibu (\$11.3 billion)	TBD
	Repayment	30% of remaining payments*	30% of payments*	\$0	30% of payments (based on AV)	Paid by property owners in new district	TBD

*The division of repayment is based on the greater of: (1) the proportion of AV; or (2) expenditures on acquisition/improvements to facilities in territory. Section 35738 also gives County Committee or State Board authority to divide for "greater equity."



MEMORANDUM

Date: November 12, 2013

To: Craig Foster, Advocates for Malibu Public Schools (AMPS)

From: Jannelle Kubinec, WestEd

RE: Reorganization Research Findings

At the request of the Advocates for Malibu Public Schools (AMPS), in the Fall of 2012 WestEd completed a feasibility review for a proposal to create two separate districts from the current Santa Monica-Malibu Unified School District (District). This review evaluated the proposed reorganization based on the fiscal and programmatic standards outlined in the California Education Code. This study raised several considerations for AMPS, the current District, and community stakeholders. At the request of AMPS, WestEd has conducted further research and analysis to address the following areas of interest:

- 1) **Bonded Indebtedness:** What options are there for distributing the District's current bonded indebtedness between the newly formed districts should a reorganization proceed? What, if any precedent exists for such options?
- 2) **Parcel Tax:** Given the District's unique parcel tax measure, what options exist for retaining the existing parcel tax and what would be required (e.g., time, effort, and cost) to pursue such options?
- 3) **Employment Rights and Collective Bargaining.** If the proposed reorganization were to occur, what specific protections and options are available to employees (e.g., rights of employment, length of protection, compensation levels, collective bargaining authority)? What precedent exists for such options?
- 4) **Other Implementation Guidance.** What other issues are essential to address in planning a successful reorganization process?

Based on the analysis completed to address the above questions, a viable pathway exists for pursuing the proposed reorganization while protecting the financial interests of the existing and proposed districts and employee groups. Following is an in-depth explanation of findings and suggested action steps.

FINDINGS

To address the above questions, WestEd has conducted interviews with educational consultants from the California Department of Education and Madera County Office of Education, and analyzed data and other documents provided by AMPS.

The type of reorganization proposed by AMPS presents a unique situation. In recent history most district reorganizations resulted in an *existing* district changing boundaries, unifying by

combining or transferring school(s), or transferring territory. The reorganization to create a Malibu district would result in the creation of a *new* school district. According to the California Department of Education the most recent example of this type of reorganization is the creation of Golden Valley (Madera County) approximately 15 years ago. Golden Valley provides an example of a new district formation and may be instructive to demonstrate options for successfully attending to employee group interests, bond management, and starting-up a new district. Several of the issues present in the potential Malibu district formation were present in the formation of Golden Valley.

The petition to create the Golden Valley School District was approved by the local county committee on district organization in August 1997 and approved by the State Board of Education in December 1997. The petition was brought to voters with potential Governing Board candidates in July of 1998 and the new district became operational July 1, 1999. The election resulted in approval of the petition and selection of Governing Board members. The Madera County Office of Education provided administrative and technical assistance to the new Golden Valley School District Governing Board to hire a Superintendent and apply for a state start-up loan to support the process of putting the necessary district infrastructure in place prior to serving students.

Soon after the new district was formed teachers were notified that they could elect to remain employees of Madera Unified School District (original district) or become employees of the newly formed Golden Valley School District per the provisions included in Education Code Section 35555. Most employees stayed at the sites where they were teaching. During the new district start-up period (July 1998 to June 1999) they remained employees of the Madera Unified School District, but once the start-up period was completed they became employees of the Golden Valley District. Teachers in the new district received support from their regional California Teacher Association representative to assist with organizing and negotiations prior to July 1, 1999 (operational date of new district). There were no reported issues with the process and by all accounts teachers and the community were pleased with the outcome. The Golden Valley example demonstrates that while reorganizations are inherently complex that it is possible to achieve a result that satisfies the many interests and needs in the communities where they occur.

Following are the key findings for each of the questions.

1) ***Bonded Indebtedness:*** What options are there for distributing the district's current bonded indebtedness between the newly formed Districts should a reorganization proceed? What, if any precedent exists for such options?

To date two interpretations have been rendered¹ regarding the method for distributing bonded indebtedness. To help guide further discussion in this area, given the stark differences in legal opinions, WestEd consulted the California Department of Education (CDE), which verified the opinion received from AMPS by its legal counsel. Specifically, CDE shared that in

¹ The Los Angeles County Office of Education presented information regarding distribution of bonded indebtedness, which offered a different interpretation than that offered by WestEd (see Fall 2012 report) and AMPS legal counsel.

reorganizations where outstanding bonded indebtedness exists Education Code Sections 35576 and 35738 clearly identify options for distributing such debt. Commonly allowed and applied methods include distributing outstanding debt based on the assessed valuation ratios between the districts post-reorganization or the amount spent on facilities. Other allowable methods include student counts or “other matters which the petitioners or county committee deems pertinent.”

A related question that may be of interest is how would outstanding bond authority (from the existing Santa Monica-Malibu Unified School District’s unexpended, but approved bond) be treated should the reorganization occur. The Education Code is silent on this issue, but does suggest among the criteria for evaluating the feasibility of a proposed reorganization that a reorganization does not adversely affect the bonding capacity of the local educational agencies. Furthermore, the treatment of division of bonded indebtedness would directly affect the remaining bond authority available to the districts post reorganization. Based on the research conducted an approach to consider as a means to retain available bond authority would be to reference within the petition for reorganization parameters for retention and division of the outstanding bond authority between the newly created Malibu district and remaining Santa Monica district. Given the lack of guidance in the Education Code, we advised AMPS consult legal counsel.

To the question of whether the petition could be used to specify a distribution of existing bonded indebtedness, AMPS legal counsel offered the following opinion:

Almost certainly. The Education Code does not specifically address including such a provision in the original petition for reorganization initiated by the electorate. On the other hand, it strongly implies that this is permissible. The Education Code specifically provides in Article 3 (commencing with Section 35730), that the Plans and Recommendations of the county committee for the reorganization of a school district may include "a method of dividing the bonded indebtedness ." that may be different from that provided by the Code in Section 35576. (§ 35738.) It appears that this is the provision under which the Madera County Committee included stipulations for the division of bonded indebtedness in the Plans and Recommendations for the reorganization.

Hence, while the Education Code does not specifically address including a provision for the division of bonded indebtedness in the original petition initiated by the electorate, the Code strongly implies that this is permissible.

With regards to whether the petition could be drafted to retain and split existing bonding authority, AMPS legal counsel noted that:

This scenario is not addressed in the Code. Interestingly, the Code addresses two different, but similar scenarios with the result that the authorization to issue bonds is divided. Section 35577 concerns the division of a district between two or more other districts so that the existing district "ceases to exist". In these circumstances the Code provides that "the board of supervisors shall, . , make and enter an order in the minutes of its proceedings that the authorization to issue the unsold bonds be divided between the districts in the ratio which the assessed valuation of the territory transferred to the districts bears to the total assessed valuation of the former district. The bonds, if issued

by any new district, shall be considered a liability of the new district for purposes of computing the bonding capacity of the new district when applying the State School Building Aid Law of 1952, Chapter 8 (commencing with Section 16000) of Part 10."

The second scenario addressed by the Code in Section 35578 is when a district is included "as a whole" in a new school district. In such a case, the unsold bonds "may be issued by the board of supervisors in the name of the new district and the proceeds derived upon the sale thereof shall be the funds of the new district. However, the proceeds derived upon the sale thereof shall be expended only for the purpose, or purposes, for which such bonds were authorized."

While the Code does not specifically reference circumstances faced with the proposed reorganization, it does suggest allowance for retention of bonding authority post-reorganization.

Options:

- **Distribute Existing Bonded Indebtedness**—Select between options for distributing existing bonded indebtedness. The most commonly used options are the greater of assessed valuation or expenses for facilities spent within each district. Based on prior analysis, both option appears viable and does not adversely affect either the proposed or existing districts.
- **Retain Approved Bond Authority**—Reference within the petition how existing approved bond authority will be retained.

Suggested Course of Action:

- Meet with Santa Monica-Malibu School District officials to evaluate and select the best option for dividing existing indebtedness.
- Draft petition in consultation with legal counsel to include provisions for division of bonded indebtedness and retention of remaining approved bond authority. A point of reference may be the Golden Valley petition, which included some references to treatment of existing bonds. Seek input and advice from the California Department of Education regarding the language to inform final petition to include such provisions.

2) Parcel Tax: Given the District's unique parcel tax measure, what options exist for retaining the existing parcel tax and what would be required (e.g., time, effort, and cost) to pursue such options?
--

As noted in the feasibility report, the District's current parcel tax is fairly unique and critical to the financial viability to the current District. The Education Code lacks clear guidance regarding the treatment of the parcel tax. **There is precedence to suggest that since the Santa Monica District would remain, it would retain its portion of the parcel tax (i.e., the portion of the parcel tax generated by parcels within the Santa Monica attendance area), but for the Malibu area to retain the parcel tax additional action may be required.** Unlike the treatment of approved bond authority, AMPS legal counsel has advised that the Education Code provides little direction on this area and that it is probably not a viable option to rely on the petition to define how the parcel tax would be treated post-reorganization. Given the lack of legal direction and precedence for this the best option would be to seek special legislation. Such legislation would specify that the parcel tax for the districts in question would be retained and divided based

on provisions adopted into California Education Code. There is precedent for special legislation in the case the creation of the Santa Barbara Unified school District, which retained a parcel tax that was in place prior to the reorganization.

Option:

- ***Develop Special Legislation***—Work with local representative (Assembly or Senate) to develop legislation that clarifies treatment of the parcel tax. The legislation could be drafted referencing unique conditions (e.g., a date in time by which a petition is approved or new district created, size or type of district formation, etc.) for which the retention and division of a parcel tax would apply. This would allow for passage of the legislation prior to the petition going into effect and limits its impact to only to the creation of the Santa Monica and Malibu districts.

Suggested Course of Action:

- Make local representative aware of the potential reorganization and gauge interest and information needs to consider options for special legislation.
- Draft special legislation referencing unique conditions that would allow for retention of the existing parcel tax once the reorganization occurs.

3) ***Employment Rights and Collective Bargaining.*** If the proposed reorganization were to occur, what specific protections and options are available to employees (e.g., rights of employment, length of protection, compensation levels, collective bargaining authority)? What precedent exists for such options?

The Education Code (§35555-35556 and 45121) recognizes that classified and certificated employees can be vulnerable to changes in employment status and agreements as a result of reorganizations. There are several provisions that provide classified and certificated employees protection and preferences in the reorganization process. Attachment A provides an overview of the process and rules outlined in the Education Code for classified, certificated, and administrative staff. This sense of vulnerability may be amplified in reorganizations that result in the creation of a new district since there is an inability to evaluate labor agreements until a petition for the new district is approved as there is no standing entity for employee groups to negotiate with until such time.

However, there are specific measures within the process outlined in law that provide protections for employees. For instance, classified employees are guaranteed in a new unified district (which would be created in this instance) continue employment for not less than two years following the original districts salaries, benefits, accumulated leave, and other rights from the original collective bargaining agreement. Rules for certificated employees specify that permanent employees assigned to a building located within the new district shall remain at their assigned site, unless they elect to remain with the original district. Employees must select the district in which they will work before February 1 of the year in which the reorganization becomes effective. In addition to these protections another important factor to remember is that when the petition is brought before voters so too would candidates for the Governing Board. This would be like any election where Governing Board members would provide public statements, discussion, and debate their positions and platforms. The process of electing representatives

provides an important measure of transparency and opportunity for the community to vote based on their view of what will best support the needs of the new district's stakeholders.

Several questions have emerged regarding specific issues related to negotiations. Attachment B addresses some of these questions in a Frequently Asked Questions format.

SUGGESTED NEXT STEPS

In addition to the actions suggested within the answers to each question, the following course of action is suggested to prepare for reorganization.

- Develop a petition based on input from stakeholders including employee groups. While it is not possible to put specific language in the petition regarding negotiated items, it would be expected that Governing Board candidates would be asked to provide comment on their position during an election.
- Consider surveying teachers to gauge (non-binding) interest in employment options should a reorganization go forward.
- Bring the petition before voters. This can be done as part of a general election or special election. A special election would be costly so it is most practical to consider placing the petition on a general election ballot (usually June or November of each year). A late-Spring or early-Summer election timeline allows for the maximum start-up time and supports a schedule that would allow for the new district to be fully formed within the beginning of the school year following the election. (This is the time frame followed by Golden Valley. See above description.)
- If approved, once the Governing Board is in place begin the process of district start-up.
 - Secure a start-up loan from the state, if needed.
 - Hire a Superintendent and other district office staff to complete start-up activities (e.g., planning and developing programs, implementing infrastructure to manage budget and human resources, etc.).
 - Engage in labor negotiations.
 - For certificated employees, prepare permanent employees to elect by February 1 if the plan to stay at their site or remain with the Santa Monica Unified School District. (Note: This decision to elect allows employees time to evaluate their options and preferences with the benefit of time for the new district to have in place a collective bargaining agreement.)
- Finalize labor agreement and staffing assignments.

4) <i>Other Implementation Guidance.</i> What other issues are essential to address in planning a successful reorganization process?

Since the feasibility study was conducted in 2012 California has adopted a new funding model (i.e., Local Control Funding Formula [LCFF]). Under this formula the District is funded based on a simplified calculation that provides a base amount per student with additional funding provided based on grade span adjustments and demographic student characteristics. The question has been asked whether under this change in funding formula there will be any adverse affect to the financial status of the remaining Santa Monica and newly formed Malibu school districts. As

noted in the feasibility report, a newly formed Malibu district would likely be funded as a basic aid district. The changes under LCFF do not appear to alter this expected status. Furthermore, under LCFF there remains a mechanism for basic aid districts to retain excess property tax. A change in law would be required to alter or eliminate basic aid and to date such changes have not materialized and appear unlikely given past history and the politics of basic aid. Based on an analysis of preliminary LCFF projections it does not appear that there will be any adverse financial impact on either district, but the exact impact is difficult to project until more accurate LCFF apportionment amounts are known for 2013-14. The California Department of Education does not expect this information to be available until July 2014.

ATTACHMENT A
Overview of Employee Rights and Collective Bargaining Provisions Related to District Reorganization

Area	Classified	Certificated	Management
Education Code Reference	Any reorganization of a school district shall not affect the rights of persons employed in positions not requiring certification to retain the status, leaves, and other benefits that they would have enjoyed, had the reorganization not occurred. (EC 35556, 45121)	The reorganization of school districts shall not affect the classification of certificated employees already employed by any affected school district. (EC 35555)	No reference in EC pertaining to Superintendents and other administrative staff would be subject to rules for classified or certificated.
Employment Status	<p>Employees regularly assigned to a particular school shall be employees of the district in which the school is located, but employees may request transfers or apply to fill vacancies following the collective bargaining procedures of the original district. Employees without a regular site may select their district of preferred employment.</p> <p>In a new unified district (which would be created in this instance), noncertificated employees are entitled to continue employment for not less than two years following the original districts salaries, benefits, accumulated leave, and other rights from the original collective bargaining agreement.</p>	<p>Permanent employees assigned to a building located within the new district shall remain at their assigned site, unless they elect to remain with the original district. Employees must select the district in which they will work before February 1 of the year in which the reorganization becomes effective. If, permanent employees elect to stay with the original district in such numbers that exceed the districts available positions, the surplus employees may be dismissed following the procedures outlined in the collective bargaining agreement.</p> <p>Probationary employees also remain at their site, unless termination notice is provided prior to May 15.</p>	No reference in EC pertaining to Superintendents and other administrative staff would be subject to rules for classified or certificated.
Compensation (level and schedule)	For at least two years follows the contract of the original district.	Addressed during design process and would include developing salary schedule, benefit package, etc. Certificated staff should be aware of such policies and structure prior to needing to declare the district where they will be employed (i.e., in advance of February 1 of the year in which the reorganization is to occur).	No reference in EC pertaining to Superintendents and other administrative staff would be subject to rules for classified or certificated.
Benefits – health and welfare	For at least two years follows the contract of the original district.		
Benefits – retirement	For at least two years follows the contract of the original district; change not anticipated because this is managed by PERS.		
Representation	New collective bargaining will be formed.	New collective bargaining will be formed.	

ATTACHMENT B
Frequently Asked Questions
Related to District Reorganization and Employment Rights and Collective Bargaining

Q: What happens after the petition is passed? When will the Board be seated and staff hired?

A: When the petition is brought before voters, new board members should also be elected. This would allow for immediate formation of the district should the petition be approved. The first task of the new board is to hire a superintendent so that a management team can be assembled. The state offers start-up loans to help with this process.

Q: Who will select the Board and how will they handle negotiations during the transition to ensure classified and certificated staff are treated fairly?

A: As noted above, the Board should be elected at the same time that the petition is on the ballot. The process of electing new board members provides for potential board members to share their intentions and expectations to support public accountability. See Attachment A, “Overview of Employee Rights and Collective Bargaining” for more information.

Q: Assuming that the petition is approved, how soon will the new district begin operating? What are the implications for current staff?

A: Once the petition is approved and a Board is in place, the new district exists and has one year to begin operations. During this initial year it has time to plan and implement start-up activities such as hiring administrative staff, developing programs, putting in place business systems, and negotiating with employee groups. The Education Code provides current employees with many layers of protection during this transition period. Classified employees are entitled to continue employment for not less than two years following the original district’s salaries, benefits, accumulated leave, and other rights continue during this time from the original collective bargaining agreement. Permanent certificated staff have until February 1 prior to the beginning of the new district operating to determine which district they wish to be employed by. If permanent employees elect to stay with the original district in such numbers that exceed the district’s available positions, the surplus employees may be dismissed following the procedures outlined in the collective bargaining agreement.

Q: Can a teacher in a Santa Monica school choose to be assigned to a Malibu school during this transition period, or is it the case that Malibu teachers are the only ones allowed to elect a different placement?

A: There are two parts that need to be considered in answering this question. During the transition/start-up period the Santa Monica-Malibu Unified School District’s collective bargaining agreement is in effect. As such, the provisions regarding request for change in assignment, bumping rules, etc. remain in place. In other words, if a teacher wishes to be reassigned in the year prior to the operations of the new district, they would do so following the contracts terms and conditions. The second part is that permanent teachers at a site within the new district may elect on or before February 1 to remain in the Santa Monica district (and move

to a Santa Monica school) or remain at the site in Malibu and become a Malibu district employee.

Q: How is bumping and seniority affected by the reorganization? Will teachers lose seniority?

A: *The Education Code Section 35555 states that “The reorganization of any school district or districts shall not affect the classification of certificated employees already employed by any school district affected. Those employees have the same status with respect to their classification by the district, including time served as probationary employees of the district, after the reorganization as they had prior to it.” In other words, seniority must be honored following the reorganization. During the transition/start-up year, the existing Santa Monica-Malibu provisions regarding bumping and seniority will be in place. As noted in the question above, teachers at a Malibu sites may elect to remain at their site and become an employee of the new Malibu district. Once the new district becomes fully operational (within one year of the petition being approved by voters) the collective bargaining agreement created by the Malibu district will govern bumping, but must honor years of service earned.*

Q: Will the reorganization affect pension contributions or payments?

A: *The pension systems for certificated and classified staff are managed by the state. All certificated staff are in STRS and classified in PERS. These systems continue to manage all retirement savings and are unaffected by the reorganization.*

Q: Are there any unique provisions that apply to teachers of specialized programs such as special education? How will special education services be provided by the new district?

A: *Special education teachers are subject to the same provisions that apply to any certificated staff (see above). The new district must offer a comprehensive special education program.*

Q: What provisions exist regarding employment of administrators?

A: *There are no specific protections for administrators. Each district would need to evaluate their administrator needs and staff accordingly. Those administrators with prior certificated teaching experience may have return rights depending on the provisions included in the contract at the time of the transition.*



TO: Craig Foster
Advocates for Malibu Public Schools

FROM: Marguerite Mary Leoni

DATE: September 22, 2014

RE: Questions Pertaining To Formation Of Malibu Unified
School District

This memorandum summarizes my research to date on several questions you proposed to me concerning various aspects of the potential unification of the Malibu portion of Santa Monica Malibu Unified School District (“SMMUSD”) to form Malibu Unified School District (“MUSD”).

1. Upon unification of the Malibu portion of SMMUSD, can the bonded debt¹ be divided in a manner that is different from that specified in the Education Code.

Yes. The Education Code specifies two methods for dividing bonded debt, but also allows different methods to achieve greater fairness. Education Code section 35576 provides:

(a) When territory is taken from one district and annexed to, or included in, another district or a new district by any procedure and the area transferred contains public school buildings or property, the district to which the territory is annexed shall take possession of the building and equipment on the day when the annexation becomes effective for all purposes. The territory transferred shall cease to be liable for the bonded indebtedness of the district of which it was formerly a part and shall automatically assume its proportionate share of the outstanding bonded indebtedness of any district of which it becomes a part.

¹ As we have previously discussed, your questions pertaining to the currently authorized bonds should also be reviewed by SMMUSD’s bond counsel, which I have recommended be done to ensure that there is nothing in the bonding agreements that might affect the conclusions stated in this memorandum.

(b) The acquiring district shall pay the original district the greatest of the amounts determined under provisions of paragraphs (1) or (2) or the amount determined pursuant to a method prescribed under Section 35738.

(1) The proportionate share of the outstanding bonded indebtedness of the original district, which proportionate share shall be in the ratio which the total assessed valuation of the transferring territory bears to the total assessed valuation of the original district in the year immediately preceding the date on which the annexation is effective for all purposes. This ratio shall be used each year until the bonded indebtedness for which the acquiring district is liable has been repaid.

(2) That portion of the outstanding bonded indebtedness of the original district which was incurred for the acquisition or improvement of school lots or buildings, or fixtures located therein, and situated in the territory transferred.

(c) The county board of supervisors shall compute for the reorganized district an annual tax rate for bond interest and redemption which will include the bond interest and redemption on the outstanding bonded indebtedness specified in paragraph (1) or (2) of subdivision (b) or the amount determined pursuant to a method prescribed under Section 35738. The county board of supervisors shall also compute tax rates for the annual charge and use charge prescribed by former Sections 1822.2 and 1825 as they read on July 1, 1970 when such charges were established prior to November 23, 1970. All such tax rates shall be levied in excess of any other ad valorem property tax authorized or required by law and shall not be included in the computation of the limitation specified in subdivision (a) of Section 1 of Article XIII A of the California Constitution.

(Ed. Code § 35576, emphasis added.)

Section 35738², referenced in Section 35576, states:

² All references are to the Education Code unless stated otherwise.

Plans and recommendations may include a method of dividing the bonded indebtedness other than the method specified in paragraphs (1) and (2) of subdivision (b) of Section 35576 for the purpose of providing greater equity in the division. Consideration may be given to the assessed valuation, number of pupils, property values, and other matters which the petitioners or county committee deems pertinent.

(Ed. Code § 35738, emphasis added; see *Co. of Shasta v. Co. of Trinity*, 106 Cal.App.3d 30, 36, interpreting former provisions and stating that “[t]he legislative power over school districts is plenary and upon the reorganization or unification of districts the Legislature may make provision for the division of property and apportionment of the debts of the old district”; 93 Ops. Cal. Atty. Gen. 117, discussing constitutionality of Education Code provisions for the reapportionment of outstanding bonded debt when districts are merged.)

2. Can the petition for formation of Malibu Unified School District specify how existing bonded indebtedness will be split between the new district and the remaining SMMUSD?

Yes. Education Code section 35703 states: “Any petition filed under this article may include any of the appropriate provisions specified in Article 3 (commencing with Section 35730).”

As noted above, the Education Code specifically provides in Article 3 (commencing with Section 35730), that the Plans and Recommendations of the county committee for the reorganization of a school district may include “a method of dividing the bonded indebtedness ...” that may be different from that provided in Section 35576. (§ 35738.) (See, e.g. 1997 Matter of the Unification Golden Valley Unified from the Territory of Madera Unified School District.)

3. Does the obligation of the newly formed MUSD to repay bonded debt incurred when it was a part of SMMUSD, constitute an ad valorem property tax on the properties that become part of the new district?

The Education Code does not use language to the effect that the portion of existing bonded debt apportioned for payment to the new district shall constitute an “ad valorem property tax” assessed against property in the new district. However, section 35576, quoted above, specifies: “All such tax rates [including that necessary to pay the bond interest and redemption on

the outstanding bonded indebtedness allocated to the new district in the reorganization process] shall be levied in excess of any other ad valorem property tax authorized or required by law” This language and its reference to “any other ad valorem property tax”, indicate that the obligation of the MUSD for payment of the bonded debt of the former SMMUSD is an ad valorem tax levied on the property in the new district and collected in the same manner as other property tax. (See also, § 35571: “When a school district is created, annexed, or abolished, or the boundaries thereof changed, the liability to taxation for the outstanding bonded indebtedness of the district or the territory affected thereby is as provided in this article. The authorities whose duty it is to levy taxes for the payment of principal and interest on the outstanding bonds shall levy the taxes upon the districts affected in such proportions as are provided in, or are determined under, the authority of this article,” emphasis added; see, also, *County of Shasta v. County of Trinity*, 106 Cal. App. 3d 30, 36-37 (1980) “With the revision of the Education Code in 1976 (see Stats. 1976, ch. 1010), the Legislature extensively changed the apportionment of indebtedness upon reorganization of school districts. (Ed. Code, §§ 4140, 4152.) Under the current provisions of the Education Code a district acquiring property from another district becomes liable for taxation for the proportionate indebtedness of the district from which the property is acquired. (See Ed. Code, §§ 4142, 4143, 4144, 4146, 4147.)”)

4. Can a petition for unification similarly specify how bonded indebtedness authorized by voters but not yet issued can be divided between the new district and the remaining part of the existing district?

The California Education Code does not address this question. While there appears to be some flexibility in statute (aided perhaps by the waiver process) for the inclusion of a provision in a reorganization petition specifying division of already authorized but unissued bonded indebtedness, because of the significant uncertainties, a surer route to achieving this goal would be through special legislation. For example, while factually distinguishable, recent legislation concerning the unification of Wiseburn School District (Ed. Code § 35580) suggests that special legislation would be the advisable route. Special legislation to address unique local circumstances is not unusual. There are numerous examples in the Education Code. The special legislation to facilitate the Wiseburn unification and the unification of the Santa Barbara districts, discussed below, are just two examples.

The Education Code does address two different scenarios with the result that the authorization to issue bonds is divided. Neither, however, fits the factual scenario of the formation of a new Malibu Unified. Section 35577 concerns the division of a district between two or more other districts so that the existing district "ceases to exist". In these circumstances the Code provides that "the board of supervisors shall, ... , make and enter an order in the minutes of its proceedings that the authorization to issue the unsold bonds be divided between the districts in the ratio which the assessed valuation of the territory transferred to the districts bears to the total assessed valuation of the former district. The bonds, if issued by any new district, shall be considered a liability of the new district for purposes of computing the bonding capacity of the new district when applying the State School Building Aid Law of 1952, Chapter 8 (commencing with Section 16000) of Part 10."

The second scenario addressed in Section 35578 is when a district is included "as a whole" in a new school district. In such a case, the unsold bonds "may be issued by the board of supervisors in the name of the new district and the proceeds derived upon the sale thereof shall be the funds of the new district. However, the proceeds derived upon the sale thereof shall be expended only for the purpose, or purposes, for which such bonds were authorized."

Neither of the above scenarios addresses the formation of a new unified district with the former district remaining in existence. In the case of the unification of Wiseburn School District from Centinela Valley Union High School District, with Centinela remaining in existence, special legislation concerning bonded debt, among other topics, was enacted to facilitate the unification. (SB 477; Ed. Code § 35580 et seq.) The legislation is complex. In pertinent part, the legislation provides for the following with regard to the bonded indebtedness and authorization to issue bonds existing prior to the unification:

(a) Any tax for repayment of bonds of the Wiseburn School District shall be levied on all taxable property of the Wiseburn Unified School District.

(b) Any tax for repayment of bonds issued by the Wiseburn Unified School District, including bonds authorized by the Wiseburn School District, shall be levied on all taxable property of the Wiseburn Unified School District.

(c) Commencing with the fiscal year that begins on the effective date of the reorganization of the Wiseburn School District by the formation of the Wiseburn Unified School District, any tax for repayment of voter approved bonds of the Centinela Valley Union High School District approved before January 1, 2012, shall be levied on both of the following:

(1) All taxable property located within the Centinela Valley Union High School District as the district exists following the effective date of reorganization pursuant to this section.

(2) All taxable property located within the Wiseburn Unified School District that was formerly part of the territory of the Centinela Valley Union High School District.

(d) In recognition of the authority for Centinela Valley Union High School District to continue levying property taxes on taxable property located within the Wiseburn Unified School District for repayment of bonds approved by voters before January 1, 2012, beginning on the effective date of reorganization of the Wiseburn School District by the formation of the Wiseburn Unified School District, the Centinela Valley Union High School District shall transfer to the Wiseburn Unified School District an amount equal to four million dollars (\$4,000,000) from the proceeds of the sale of bonds approved by voters on November 2, 2010, and issued after January 1, 2012. The transfer shall be made from the proceeds of the sale of the first series of bonds issued after January 1, 2012, unless the Centinela Valley Union High School District elects to allocate the transfers to more than one series of bonds, in which case the transfers shall aggregate to the amount of four million dollars (\$4,000,000). Proceeds transferred pursuant to this subdivision shall be expended by the Wiseburn Unified School District for purposes consistent with the original voter authorization for the bonds.

(Ed. Code § 35581, emphasis added.)

5. Does Measure R, SMMUSD's parcel tax, remain in place in the new unified district after the unification?

Probably not. In my experience, reorganization results in the departing parcels losing any obligation for the parcel tax of the original home district.

(Compare, *Citizens Assoc. of Sunset Beach v. Orange County LAFCo*, 209 Cal.App.4th 1183 (2012), rev. denied [annexed parcels automatically liable for parcel taxes] & Gov. Code §57330: “Any territory annexed to a city or district shall be subject to the levying or fixing and collection of any previously authorized taxes, benefit assessments, fees, or charges of the city or district.”.) I have again reviewed the Education Code and found nothing that clarifies the treatment of parcel taxes of the former district with regard to the departing parcels.

Because of this silence in the law regarding previously assessed parcel taxes when districts reorganize, special legislation was necessary to provide for the continuation in effect of taxes approved by the voters of the Santa Barbara Elementary School District, and the Santa Barbara High School District, upon their unification. Effective January 1, 2012, Education Code section 35560 was specifically amended to provide for the continued imposition of qualified special taxes after reorganization “pursuant to Section 50079.2 of the Government Code.” (Ed. Code § 35560(b).)

A qualified special tax is defined as “special taxes that apply uniformly to all taxpayers or all real property within the school district, except that “qualified special taxes” may include taxes that provide for an exemption from those taxes for [specified taxpayers].” (Gov. Code § 50079 (b)(1).) Government Code section 50079.2, however, is special legislation limited to Santa Barbara County. It provides:

Notwithstanding any other law, when any school district in the County of Santa Barbara is in any manner merged with one or more school districts so as to form a single district pursuant to subdivision (b) of Section 35542 of the Education Code, the district so formed may continue to impose any qualified special taxes imposed in any former district as defined by Section 35516 of the Education Code, provided that the revenues derived from those qualified special taxes remain segregated on a geographical basis conforming to the former boundaries of the school districts prior to unification.”

6. Can a parcel tax measure like Measure R be placed on the ballot only in the territory of the proposed new MUSD to become effective only if the unification is successful.

The statutes authorizing a school district to impose special taxes appear intended to permit districts also to place special taxes on the ballot on behalf of a new district in formation. The evolution of the controlling

statutes, however, have injected ambiguities into the law. Since special legislation is required to facilitate this unification, these ambiguities could be resolved in the special legislation.

- a. Action to place special tax on ballot by SMMUSD.

The WestEd Fiscal Analysis provided with regard to Criterion 9, “No Substantial Negative Impact on District Fiscal Management or Status”, as follows:

This report finds that should the [Santa Monica Malibu] District reorganize, the resulting Santa Monica Unified and Malibu Unified School Districts would be financially viable so long as each district’s management team adopt procedures to improve economies of scale and negotiate reasonable salary schedules with their employees that allow for long-term fiscal solvency. The continuation of the Measure R parcel tax is critical to deem the reorganization viable. For this reason, we recommend that legal counsel be consulted; and if necessary, special legislation be considered to delineate conditions for preserving the Measure R parcel tax revenue for the resulting districts. The continued level of uncertainty regarding state funding makes it difficult to fully evaluate this criterion; updates are likely necessary as the state’s fiscal condition becomes clearer.

(Emphasis added.)

Article XIII A, Section 4 of the California Constitution provides:

Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district, except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property within such City, County or special district.

Proposition 62 was a statutory initiative that added a new article to the Government Code. Proposition 62 specified neither it, nor Proposition 13, authorized special districts to impose special taxes that were not authorized by law. In 1987, the Legislature provided that authorization to school districts in Government Code section 50079, which provides:

- (a) Subject to Section 4 of Article XIII A of the California Constitution, any school district may impose qualified special taxes

within the district pursuant to the procedures established in Article 3.5 (commencing with Section 50075) and any other applicable procedures provided by law.

(b)

(1) As used in this section, "qualified special taxes" means special taxes that apply uniformly to all taxpayers or all real property within the school district, except that "qualified special taxes" may include taxes that provide for an exemption from those taxes for all of the following taxpayers:

(A) Persons who are 65 years of age or older.

(B) Persons receiving Supplemental Security Income for a disability, regardless of age.

(C) Persons receiving Social Security Disability Insurance benefits, regardless of age, whose yearly income does not exceed 250 percent of the 2012 federal poverty guidelines issued by the United States Department of Health and Human Services.

(2) "Qualified special taxes" do not include special taxes imposed on a particular class of property or taxpayers.

Subdivision (c) of Government Code section 50077, which is contained in Article 3.5 subdivision (c), provides that, in the context of the formation and reorganization of municipalities and special districts, the Board of the local agency may place on the ballot in the territory of the proposed new district a measure for the enactment of a special tax on behalf of the new district to be formed. Section 50077 provides, in full:

(a) Except as provided in Section 7282 of the Revenue and Taxation Code, the legislative body of any city, county, or district may, following notice and public hearing, propose by ordinance or resolution the adoption of a special tax. The ordinance or resolution shall include the type of tax and rate of tax to be levied, the method of collection, and the date upon which an election shall be held to approve the levy of the tax. The proposition shall be submitted to the voters of the city, county, or district, or a portion thereof, and, upon the approval of two-thirds of the votes cast by voters voting upon the proposition, the city, county, or district may levy the tax.

(b) The legislative body of a city, or district, may provide for the collection of the special tax in the same manner and subject to the same penalty as, or with, other charges and taxes fixed and collected by the city, or district, or, by agreement with the county, by the county on behalf of the city, or district. If the special taxes are

collected by the county on behalf of the city, or district, the county may deduct its reasonable costs incurred for the service before remittal of the balance to the city.

(c) The legislative body of a local agency which is conducting proceedings for the incorporation of a city, the formation of a district, a change of organization, a reorganization, a change of organization of a city, or a municipal reorganization, may propose by ordinance or resolution the adoption of a special tax in accordance with the provisions of subdivision (a) on behalf of an affected city or district.

(d) As used in this section "district" means an agency of the state, formed pursuant to general law or special act, for the local performance of governmental or proprietary functions within limited boundaries.

(Emphasis added.) In 2000, section 50075.5 was added to Article 3.5 defining "local agency", the term appearing in subsection (c) of Section 50077, to include "special districts". Special district, in turn, is specifically defined to include a school district. (Gov. Code § 50077.5(b).)

According to its legislative history, Section 50077(c) was specifically enacted in 1982 to allow public agencies to place special tax measures on the ballot to support the financial viability of a proposed new city or district. (Cf., 6/30/82 Rpt. of Sen. Com. on Local Govt. re AB 3039 (Farr): "Some proposed new cities and special districts may not be financially feasible unless the voters impose special taxes to pay for new services or facilities. Existing law is not entirely clear on whether the question of imposing a special tax can be put on the same ballot as the city incorporation or district formation. Assembly Bill 3039 allows local officials to put the question of a special tax to the voters at the same time they vote on incorporation or formation. The bill does not change the existing requirement for 2/3 voter approval.")

Despite the intent of Section 50077(c), there is ambiguity in the statutory language as applied to school districts. Section 50077(c) authorizes "[t]he legislative body of a local agency which is conducting proceedings for the incorporation of a city, the formation of a district," etc., to place such a tax measure on the ballot. There is no definition of the phrase, "conducting proceedings". Hence, while "local agency", is specifically defined to include a school district, a school district that is the subject of a petition for

reorganization, is not generally understood as “conducting” those proceedings. The County Committee, and the State Board of Education are the two entities empowered to approve school district reorganization, but they are not included in the term, “local agency”, and do not otherwise have taxing authority.

Furthermore, subdivision (c) of section 50077 was enacted simultaneously with amendments to District Organization Law of 1965 to permit an entity conducting proceedings for the formation or reorganization of a local agency to condition the approval on the enactment of benefit assessments or special taxes. School districts, however, have never been subject to the Government Code provisions concerning the formation and reorganization of public agencies. School districts are subject to the reorganization procedures in the Education Code. Hence, while school districts are authorized to enact special taxes in Section 50079 in accordance with Section 50075, et seq., it is unclear whether the authority in Section 50077, subdivision (c) was intended to apply in the case of the reorganization of school districts.³

Nevertheless, the intent of subdivision (c) of Section 50077 seems clear -- to facility the formation of local agencies by permitting the legislative body of a defined agency to propose the enactment of special taxes on behalf of the proposed new agency. One approach, consistent with the intent of Section 50077(c) would be for SMMUSD to place a contingent special tax measure on the ballot in the portion of the district that would eventually become MUSD, if the reorganization were successful. (See, also § 50077(a), which permits a school district to place a tax measure on the ballot in a “portion” of the district.) However, given the ambiguities, there

³ It is even unclear how section 50077, subdivision (c) now applies in the context of other local agency formations. At the time of enactment of subdivision (c) of Section 50077, one of various local agencies with taxing authority had the status of “conducting authority” depending on the type of reorganization as set forth in the District Reorganization Act of 1965, and later by the Cortese-Knox Local Government Reorganization Act of 1985. That has now changed. Proceedings for the formation of local agencies are conducted by the designated Local Agency Formation Commission. (Gov. Code § 56029.) A LAFCo is not within the statutory definition of “local agency”, and it does not have taxing authority. Under current law, upon receipt of the order of the LAFCo, the Board of Supervisors of the affected County, or the council of the affected City is required to place the necessary special tax measures on the ballot. (Gov. Code § 57000(d).) But the County or the City are no longer defined to be the “conducting authority”.

is risk that the authority of SMMUSD to do so could be challenged. Therefore, a safer approach would be to include clarifying provisions in the special legislation required to address the authorized but unissued bonds, discussed above. The special legislation would clarify the authority of SMMUSD, to place a special tax on the ballot identical to Measure R in the portion of SMMUSD that would become the new district.⁴

b. Conditional approval of the unification.

Since the goal is to have the unification of MUSD contingent upon the passage of the special tax, the special legislation should so specify to solve another ambiguity. While nothing in the Education Code prohibits the conditional approval of a unification, I am not aware of any such “conditional unification” ever being approved. This is a distinction from the formation of districts and cities under the LAFCo law, which specifically authorizes conditional approvals.

7. Can parcels in the newly formed MUSD continue to be included in the applicable bonding limits of the remaining SMUSD, and taxed as if the unification had not occurred.

Not under current law. You asked this question with reference to the special legislation applicable to the unification of the Wiseburn Unified School District, Education Code section 35582, and the Local Public

⁴ I do want to mention a new case, decided this month, that may cast additional doubt on Section 50077(c). *City of San Diego v. Shapiro*, 2014 Cal. App. LEXIS 697 (August 1, 2014), held that the term, “qualified electors of such district” in Article XIII A, section 4, meant all of the eligible voters of the jurisdiction. Hence, in proceedings for the formation of a community facilities district under the Mello-Roos Act, the City of San Diego could not limit the vote on the special tax only to the landowners in the district, even if only the landowners would pay the tax. Following the lead of this literal interpretation of Article XIII A, section 4, it could be argued that subdivision (c) of Section 50077 is invalid because only the legislative body of the local agency that would be subject to the tax can place the measure on the ballot (“special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district.) Special legislation discussed in the preceding section to clarify SMMUSD’s authority to place the special tax measure on the ballot pursuant to subdivision (c) of Section 50077, could not solve such a constitutional issue. Hence, the Measure R-continuation tax would need to be placed on the ballot by the board of the new district after its formation. The City of San Diego has recently requested that the California Supreme Court depublish the case so that it is not citable as legal authority.

Schools Funding Authority, a joint powers authority (“JPA”) formed by the predecessor districts, Wiseburn School District and Centinela Valley Union High School District. As we discussed, the circumstances of the unification of the Wiseburn Unified School District are significantly different from those of the proposal to form MUSD. In the Wiseburn unification, there were two predecessor districts, both with taxing authority, that formed the JPA. The purpose was, generally speaking, to issue bonded debt, including with regard to certain commercial property within the jurisdiction of both districts. Here there is a single district, SMMUSD. I am not now aware of any entity with appropriate jurisdiction and taxing authority to negotiate such a JPA to which MUSD would become a successor member in the same manner that Wiseburn Unified became the successor to Wiseburn School District as a member of that JPA. An AMPS member recently suggested that possibly the Los Angeles County Board of Education or the Los Angeles County Board of Supervisors could fulfill that roll. At this point, I have not researched those options, but will do so if you wish for me to pursue that research.

MEMORANDUM

To: Board of Education, Santa Monica Malibu Unified School District

From: Financial Oversight Committee

Date: July 15, 2015

Subject: Proposed Action to Reorganize the Existing Santa Monica Malibu Unified School District by Forming a New Malibu Unified School District from Parts of the Existing District - Implications Relating to the Division of Assets and Liabilities

This Memorandum responds to one of the charges given by the Board to the Financial Oversight Committee (“FOC”) at our joint meeting in July, 2014. At that meeting, the Board requested that the FOC provide information regarding the financial implications of forming a new “Malibu Unified School District” (“MUSD”) from parts of the existing Santa Monica Malibu Unified School District (the “Existing District”). MUSD would consist of all geographic areas currently served by the Existing District which are outside the boundaries of the City of Santa Monica with the Existing District continuing to serve the City of Santa Monica under the name “Santa Monica Unified School District” (“SMUSD”).

The FOC divided this task between two subcommittees, one focusing on the division of assets and liabilities, which is addressed in this Memorandum, and the other looking at hypothetical operating budgets for the two districts which will be addressed in a separate memorandum.

Summary

The Board expressed particular interest in learning whether there were any financial issues sufficiently material to preclude support by the Board for the proposed unification - so-called “deal breakers.” Based on research and analysis carried out by this subcommittee and discussions by the full FOC, the FOC identified the existing claim and potential future claims against the District and certain of its officials arising from alleged toxic substances and remediation practices at certain Malibu schools as the only potential “deal breaker” within the context of the allocation of assets and liabilities. While we have some preliminary thoughts on how that issue might be satisfactorily resolved, advice from legal counsel will be necessary and we’ve had neither the time nor the resources to investigate their feasibility.

The California Education Code contains certain default provisions regarding the method to be used for allocating assets and liabilities. It also provides, however, that other methods may be used if found to be more equitable. Therefore, the suggested

allocations discussed in this Memorandum are based upon the FOC's conclusions regarding equitable allocations. In some instances we were unable to reach a solution absent more information; however, we are confident that mutually agreeable results can be reached through further analysis and discussion.

A. Division of Assets.

1. Land and Improvements.

In addition to existing school sites, the District owns (a) the land and the building in which the District offices are housed, (b) the land underneath the Doubletree Hotel and the adjacent office building, but not the buildings, (c) the land underneath a single-story multi-tenant building at 9th and Colorado, but not the building, (d) the site previously used for Madison School which is leased to Santa Monica College and the buildings on that site except for the Broad Stage and other buildings constructed by SMC, (e) the site and the buildings previously used for Washington School on 4th Street in Ocean Park and a children's center across the street, and (f) a few additional small parcels, some in Malibu and some in Santa Monica.

The Education Code provides that real property plus the improvements, FF&E, and books and supplies normally situated on that property are to be allocated to the district in which the property is located. The Subcommittee believes this to be a reasonable method of allocation so that, in essence, all real property owned by the District located outside the City of Santa Monica, as well as the associated improvements, etc. located on that property, would be allocated to MUSD with the balance being retained by SMUSD. We are not aware of any real property for which it would be inappropriate to make such an allocation.

2. Personal Property Other Than Cash. We did not have an inventory of personal property but believe that the only major items that are not associated with a particular school site or the District office, all of which would run with that property, are vehicles, primarily large and small buses. In general, the large buses and perhaps some small buses are housed in Malibu and are used almost exclusively in Malibu while most of the small buses are housed in Santa Monica and are used there. The FOC believes that the appropriate allocation should be based on how these buses are used so that, in essence, the ones housed in Malibu would probably be allocated to MUSD and the ones housed in Santa Monica would remain with the District. To the extent buses used in Malibu are currently maintained in Santa Monica, a new MUSD could enter into a maintenance agreement with SMUSD until it was prepared to provide its own maintenance facility.

3. Cash. The FOC believes that cash cannot be allocated using any single method because there are differing sources of money and different restrictions as to how it is permitted to be used. We discussed these issues by looking at the individual funds maintained by the District.

a. Major Governmental Funds.

(1) General Fund (Unrestricted). The easiest way to allocate cash in the unrestricted portion of the General Fund would be based on respective ADA for the last year of operation of the District. Such a method would, however, disregard the different funding sources which we believe are relevant in certain cases. Therefore, we believe that further discussions are needed regarding allocation of the cash in this Fund.

- LCFF Funding. The bulk of the unrestricted general fund money comes from local property taxes and the State. Malibu's share of property tax funding will be disproportionately higher than Santa Monica's share when compared to ADA allocations. However, due to supplemental grants under LCFF, it is likely that a disproportionate amount of State money is due to Santa Monica enrollment.

- City of Santa Monica. Through the joint use agreement and Prop. Y, the City of Santa Monica and its taxpayers are expected to contribute approximately \$16,000,000 to the General Fund during the next fiscal year. Therefore, it does not seem appropriate to allocate General Fund cash derived from these payments through use of ADA.

- Prop. R Parcel Tax. Prop. R is expected to generate approximately \$11,000,000 for the General Fund during the next fiscal year. There are two ways to look at these dollars. The first would be to assume that none of the cash in the unrestricted portion of the General Fund at the end of the year was derived from Prop. R because it is all legally required to be spent during the year. The other would assume all General Fund dollars are fungible and allocate accordingly, either based on ADA or another method, such as the respective number of parcels for which the owners did not take advantage of the senior exemption.

- Other Local Income. This catch-all category is expected to contribute approximately \$3,500,000 to the General Fund over each of the next few years. Much of this money comes from leases, such as the ground leases for the Doubletree Hotel and Madison School. These funds could be allocated based on ADA or allocated based upon the location of the property generating the income.

- SMMEF. Funds contributed by SMMEF will be spent during the fiscal year in which they were contributed. Therefore, as with Prop. R, cash in the unrestricted portion of the General Fund at the end of a fiscal year will not contain any of these dollars. Depending upon the principle used, these funds could either be disregarded or treated as a part of fungible cash and allocated.

(2) General Fund (Restricted). Funds in this account must be used for specific purposes, such as the acquisition of instructional material from lottery proceeds. It is not clear whether these restrictions will impact the allocation method but, if not, ADA may be appropriate.

(3) Building Fund - \$45,800,000. This fund contains unspent bond proceeds from both BB and ES bonds which are restricted for use in accordance with the bond program. (Of course, it is likely the District will issue one or more additional series of ES bonds before any separation would become effective thereby generating more unspent proceeds.) The FOC believes that to the extent the proceeds have been earmarked for specific projects, the funds should be divided in that manner. To the extent that they have not been earmarked, another method, such as the 80%/20% contemplated in the Board's resolution authorizing the placing of the ES bonds on the ballot could be used with the split taking into account previous expenditures as well as the allocations of the earmarked funds.

We assume that if bond proceeds are transferred to MUSD, some Proposition 39 committee will be required to oversee the expenditures. We are unsure as to whether this would be a new committee created by MUSD or the existing committee.

(4) Bond Interest and Redemption Fund - \$40,498,000. This fund contains property tax receipts used to make payments on outstanding bonds as well as any accrued interest received at the time the bonds were sold. It is maintained by the county and should be allocated in a manner consistent with the bond indebtedness.

b. Non-Major Governmental Funds - Special Revenue Funds. These Funds are generally restricted for certain specific purposes and, to that extent, should be allocated based upon use rather than ADA.

(1) Adult Education Fund. This fund accounts for revenue received for adult education and can be used for only that purpose.

(2) Child Development Fund. This fund is legally restricted for child development programs and should be allocated based on use. Most of the child development programs are in Santa Monica with a minor element in Malibu.

(3) Cafeteria Special Revenue Fund. This fund is for operation of the food service programs. Since these programs exist in both SM and Malibu and provide service to all students, an allocation based on ADA may be appropriate.

(4) Deferred Maintenance Fund. This fund holds State and local contributions for deferred maintenance. Rather than ADA, the proper allocation may be based upon square footage of the improvements to be held by each district.

c. Non-Major Governmental Funds - Capital Project Funds.

(1) Capital Facilities Fund. This Fund holds proceeds from developer fees and is likely to be significantly higher than was the case on January 31, 2015, the date of the 2nd Interim Report, when it was approximately \$34,000. To some

extent, the proceeds of the Fund have already been reserved to assist in the payment of construction costs for Measure BB projects and for the payment of costs associated with environmental remediation in Malibu; those allocations should be preserved. To the extent that the fund contains excess proceeds, we believe it should be allocated on a pro-rata basis measured by the location of the projects giving rise to the developer fee deposits rather than ADA.

(2) Special Reserve for Capital Outlay Projects. This Fund contains that portion of tax increment funds received by the District from the Santa Monica Redevelopment Agency which is required by law to be used for capital expenditures. This Fund has also been allocated to pay a portion of the cost of BB projects and should continue to be available for that purpose. To the extent there remain excess amounts in this Fund, they should remain with SMUSD given the fact that they are attributable to Santa Monica projects.

d. Proprietary Fund - Self Insurance Fund. The negative fund balance in this Fund (almost \$5,800,000 at the end of 2013- 2014) represents the difference between the OPEB liability discussed below and the \$3,000,000 which has been set aside by the District for future funding of those liabilities. Allocation of the \$3,000,000 in cash will depend upon the manner in which the Board responds to the FOC's recommendation that this \$3,000,000 be placed in a reserve account handled by CalPERS, as was recently done by the City of Santa Monica.

e. Fiduciary Funds. These are "agency" funds used to account for funds held by the District for the benefit of employees or student groups. Presumably, a portion would be transferred to MUSD for deposit into newly-created agency funds for the benefit of MUSD employees and students with the balance retained by SMUSD.

B. Division of Liabilities.

1. Bonds. This Section addresses indebtedness created by previously issued bonds, unspent proceeds of issued bonds, authorized but unissued bonds and future bonds not currently authorized.

In preparing this Memorandum, members of the Subcommittee (x) met with Tony Hsieh of Keygent, the District's bond advisor, (y) discussed relevant legal issues with attorneys Janet Mueller and Bill Tunick of the San Diego law firm of Dannis Woliver Kelley ("**DWK**"), the firm that represented Centinela Valley Union High School District in the Wiseburn unification, and which the FOC recommends be retained by the District, and (z) reviewed memoranda prepared by WestEd at the request of AMPS and Marguerite Leoni of the law firm of Nielsen Merksamer to Craig Foster, counsel to AMPS.

a. Issued Bonds.

(1) Status. As of June 30, 2014, the District had about \$315MM in total outstanding “general obligation” bonds: about \$68MM in pre-BB bonds and \$247MM in BB bonds. In August, 2014, the District issued \$30MM in bonds under Measure ES for a current total of about \$345MM less any principal payments that have been made. While these bonds are designated as “general obligation” bonds, the only source of payment is assessments against real property in the current District boundaries; they are not technically general obligations of the District payable from any other assets. Therefore, a separation would not affect bondholders - the bonds would continue to be paid based on assessments against property in Santa Monica and Malibu as if there had been no separation and bondholders would have no access to assets of either SMUSD or MUSD.

(2) Allocation of Indebtedness. Following a separation, SMUSD, as the continuation of the District, would be treated as having been the issuer of these bonds and, at least nominally, be fully liable for the aggregate outstanding debt. However, Section 35576(b) of the Education Code would require MUSD to be liable for a portion of that debt and Section 35576(c) requires the county to assess property in both Santa Monica and Malibu based upon the manner in which the bond indebtedness is allocated.

MUSD would be liable for that portion of the bond debt equal to the larger of (a) and (b) below or determined in accordance with Section 35738 described in (c) below:

(a) Section 35576(b)(1) uses the percentage of the aggregate assessed valuation of property in the District which is located in the MUSD area in the year immediately preceding the effective date of the separation. Currently, that percentage would be about 29.5%. (For ease of discussion, this Memorandum assumes a 30% share for Malibu recognizing that it will be whatever it is at the time.)

(b) Section 35576(b)(2) uses the portion of the outstanding bonded debt incurred for the acquisition or improvement of school property located within the boundaries of MUSD. Determining the MUSD portion on this basis presents practical difficulties, particularly with respect to expenditures made with pre-BB bond proceeds.

(c) Section 35738, permits allocation in any other manner which would provide “greater equity” taking into account “assessed valuation, number of pupils, property values, and other matters which the petitioners or county committee deems pertinent.”

The FOC recommends that the petition focus on method (a) - using respective percentages of assessed valuation on the effective date of the separation - because attempting to apply method (b) is not practical and we didn't see any basis upon which to conclude that another allocation method would provide "greater equity."

There is a theoretical effect on property taxes in the respective districts compared to taxes absent a separation. If, for example, the bond debt were allocated 70% to SMUSD and 30% to MUSD, property in Santa Monica would be responsible for 70% of all future payments and property in Malibu 30% irrespective of changes in relative assessed valuations. If the relative assessed valuations were to change to 65% - 35%, Santa Monica property would still be responsible for 70% of the bond payments whereas such property would only be responsible for 65% in the absence of a separation. And, of course, were the shift to be in the other direction, say 75% - 25%, Malibu property would absorb a disproportionately higher percentage of the future payments.

(3) Impact on Bonding Capacity. The FOC considered whether the separation or the manner in which the outstanding bond debt is allocated would affect bonding capacity. Preliminarily, it is important to recognize that, as discussed below, Tony Hsieh believes that the restraint on the timing of new bond issues won't be the bonding capacity of SMUSD but the ability to keep the aggregate bond payments limited to \$30/\$100,000 of assessed valuation. However, if bonding capacity becomes an issue, separation and allocation might be significant.

(a) Separation. In the absence of separation, the bonding capacity of the District would be limited to 2.5% of the aggregate assessed valuation of all Santa Monica and Malibu property. Separation would limit each district to 2.5% of the assessed valuation of property in that district. To the extent that bond proceeds are needed in one district in a greater proportion than the ratios of assessed valuation, the district requiring more bond proceeds would be negatively affected by a separation.

(b) Allocation. Section 33574 provides that the bond debt liability assumed by MUSD would be considered a liability of MUSD for purposes of computing bonding capacity with, presumably, the liability retained by SMUSD affecting its capacity. Therefore, the manner in which the bond debt is allocated between the two districts may have some residual effect on bonding capacity of the two districts.

(4) Future Refinancing. From time to time, most recently on May 7, 2015, the Board has authorized the refinancing of outstanding bonds due to the movement of interest rates or other factors. The mechanism for taking similar action following a separation isn't clear to us. SMUSD probably wouldn't have the authority to issue new bonds for this purpose which were backed, in part, by Malibu property even though the bonds being paid did have that support. Therefore, special legislation may

be required to either give SMUSD that authority or create some other vehicle for issuing the refunding bonds.

b. Authorized But Unissued ES Bonds.

At the moment, an additional \$355MM remains in bonding authority under Measure ES. This amount could be reduced by up to another \$45MM remaining from the Board's 2014 resolution under which \$30MM were issued in August and up to an additional \$60MM based on the Board's May 7 resolution. For purposes of this Memorandum, we have assumed the remaining \$45MM authorization will not be utilized but that the recently authorized \$60MM will be issued, thereby reducing the unissued amount to \$295MM. (Of course, this amount may be further reduced prior to separation to the extent additional bonds are authorized and issued.)

In the absence of separation, the District would have authority to authorize the issuance of additional ES bonds in the aggregate amount of \$295MM. At a time when the remaining authority was \$355MM, Tony Hsieh concluded that it should be possible to issue bonds in that aggregate amount through five more series, one every two years in the amount of \$71MM starting this year with all bonds being issued by 2023. Assuming the District issues the full \$60MM, this schedule might be adjusted somewhat but would probably permit the District to issue bonds in the aggregate amount of \$295MM by no later than 2025. According to Tony, the limiting factor is maintaining a maximum tax rate for all ES bonds of \$30/\$100,000 of assessed valuation, as promised to the voters in the ballot measure. Assuming the proceeds of these future bonds were split 80%/20% between Santa Monica and Malibu schools, Santa Monica schools would receive \$236MM and Malibu schools \$59MM over the remaining 10-year period. (Note that this is a simplistic assumption because (a) the 80%/20% split related to the entire \$385MM ES authorization and the assumption doesn't attempt to take into account the manner in which the issued bond proceeds have been, or will be split, and (b) there was nothing in the Board's resolution limiting Malibu's share to 20% - that number was only a minimum.)

In connection with a separation, the FOC considered two questions relating to potential future bonds:

- What happens to the bonding authority?
- What is the impact of the Board's original ES resolution stating that not less than 20% of the net bond proceeds are to be spent on projects benefiting schools in Malibu?

It is the FOC's understanding, based on discussions with DWK, that in the absence of special legislation directing a different result, SMUSD, as the continuing district, would probably retain the authority to issue the remaining bonds with any new bond debt being paid for through assessments solely against Santa Monica property. However, there is apparently no provision in the Education Code directly on point. Ms. Leoni noted in her memorandum that in the somewhat, but not identical, situation where

an existing district is divided and the original district ceases to exist, Section 35577 requires the board of supervisors to allocate the bonding authority between the two new districts based upon respective assessed valuations. She points out, however, that because a Malibu separation would not result in the District ceasing to exist, Section 35577 is not directly applicable. Therefore, in order to allocate the bonding authority between SMUSD and MUSD, Ms. Leoni and DWK both believe that special legislation would be necessary.

If separation occurs and SMUSD is to issue the remaining bonds, it would obviously give SMUSD more money than Santa Monica schools would receive in the absence of separation because none of the proceeds would need to be shared with MUSD - the full \$295MM rather than \$236MM. However, due to the 30% reduction in assessed valuation resulting from the loss of Malibu property, it will take considerably longer to issue bonds in the aggregate amount of \$236MM and even longer to realize the full \$295MM.

Alternatively, if separation occurs and special legislation gives MUSD the authority to issue some portion of the ES bonds backed solely by property Malibu, SMUSD would retain authority to issue bonds in the aggregate amount of about \$206.5MM (70% of the \$295MM total based on assessed valuation) and MUSD the remaining \$88.5MM (30%).

Neither solution leaves Santa Monica voters where they thought they were under Measure ES which was to have up to 80% of the ES bond proceeds available for Santa Monica schools with only 70% of the bonded indebtedness being paid for by Santa Monica property owners. The reasons for the mismatch are that there was (and is) a much greater perceived need for capital expenditures on Santa Monica schools, Santa Monica High School in particular, and the 80%/20% split roughly mirrors the pupil breakdown. The only way to achieve this result would be to have special legislation giving SMUSD the power to issue ES bonds backed by all property that was in the District prior to separation and requiring SMUSD to transfer a portion of the net bond proceeds to MUSD in amounts which would preserve the 20% allocation to Malibu schools. A similar structure was included as a part of the special legislation surrounding the Wiseburn/Centinela Valley separation.

Another unknown is the impact of separation on the AA credit rating of the District since it is possible that neither SMUSD nor MUSD could achieve that same level. Tony Hsieh advised us that a one-level drop in the rating would probably equate to a 15 basis point increase in the interest rate that would be required to be paid on new bond issues.

2. Certificates of Participation. These certificates were issued as a method to finance certain lease obligations in connection with property in Santa Monica. Two series are currently outstanding:

2001 Series C maturing 5/1/2025 - \$8,548,000
2010 Series B maturing 2/1/2024 - \$7,925,000

The FOC believes that the indebtedness under these instruments should remain with the District because it will continue to own that property.

3. Compensated Absences. This liability is primarily for untaken sick leave and, with respect to classified employees, untaken vacation leave. The FOC believes that allocation of this liability may be feasible based on which employees ultimately work for which district.

4. OPEB. The 2015 actuarial study concludes that the District's unfunded liability is around \$36,000,000, an increase of almost \$10,000,000 from that contained in the 2013 report. GASB 68 requires, beginning with the current fiscal year, that the unfunded liability be reported on the financial statements. As explained in connection with the Self-Insurance Fund above, the \$5,800,000 negative balance reflected in that Fund represents the difference between the amount the District should have been contributing annually in order to retire the unfunded liability over a 30-year period - \$8,800,000 - over the \$3,000,000 the District has set aside rather than utilizing the pay-as-you-go system. Because the District has contributed about \$3,000,000 to the Self-Insurance Fund, as reflected above, the net deficit is \$5,487,000. The allocation of this liability will require further discussion because it is a combination of obligations to current employees and retired employees.

C. Litigation.

The Subcommittee is aware of two pending lawsuits against the District and, in one case, against certain officers of the District.

1. School Lights. One pending lawsuit challenges the adequacy of the CEQA analysis relating to installation of lights at Malibu High School - we do not believe it seeks monetary damages against the District. Presumably, if there were a separation, MUSD would step into the District's position with respect to this litigation and the District, now being SMUSD, would be dismissed - SMUSD would no longer have any jurisdiction over installation of the lights. Presumably any funds earmarked for this project would be transferred to MUSD as a part of the allocation of assets. The trial court held in favor of the District but the plaintiffs have recently appealed.

Related to this lawsuit is an appeal of the City's approval of the project under the Coastal Act to the Coastal Commission; that appeal is also pending. If there were a separation, presumably MUSD would assume control of this appeal and SMUSD would no longer be involved.

2. Toxic Substances Control Act. A lawsuit has recently been filed against the District, Board members, Sandy and Jan associated with the disputed procedures followed by the District with respect to the investigation and remediation of PCBs in

certain Malibu classrooms. The suit alleges failure to comply with the Toxic Substances Control Act and may have certain other allegations - the Subcommittee has not reviewed the Complaint.

It is the Subcommittee's position that any separation would need to be conditioned upon a release of any such claim to the extent that it might continue to apply to SMUSD, its Board members and officers. The Subcommittee believes that MUSD should be obligated to indemnify SMUSD for any exposure to future claims based upon any failure to properly remediate any existing conditions because responsibility to deal with the Malibu facilities would, following a separation, be under the sole jurisdiction of MUSD. However, we are not clear on what other exposure might remain to SMUSD, such as personal injury claims, to what extent it is appropriate for MUSD to provide an indemnity and how a meaningful indemnity would be crafted. Clearly, this subject needs further legal analysis by competent counsel as to the nature of any continuing exposure to SMUSD, the proper allocation of responsibility, and the appropriate means to achieve that allocation.

Appendix E

MEMORANDUM

To: Board of Education

From: Financial Oversight Committee

Date: July 15, 2015

Subject: Proposed Action to Reorganize the Existing Santa Monica-Malibu Unified School District by Forming a New Malibu Unified School District from Parts of the Existing District – Implications Relating to Annual Operating Budgets

This Memorandum responds to another of the charges given by the Board of Education (“Board”) to the Financial Oversight Committee (“FOC”) at a joint Board-FOC meeting in July 2014. At that meeting, the Board requested that the FOC provide information regarding the financial implications of the California Education Code (“Ed Code”) concept of “unification,” as it might apply to the formation of a new “Malibu Unified School District” (“MUSD”) from parts of the existing Santa Monica-Malibu Unified School District (the “Existing District”). MUSD would consist of the geographic areas currently served by the Existing District which are outside the boundaries of the City of Santa Monica, with the Existing District continuing to serve the City of Santa Monica under the name “Santa Monica Unified School District (“SMUSD”).

The FOC divided this task between two subcommittees, one focusing on the division of assets and liabilities (i.e., Ed Code unification criterion #3 of 9), which is addressed in a separate memorandum, and the other focusing on annual operating budgets for the hypothetical new school districts (i.e., Ed Code unification criterion #9 of 9), which is the focus of this Memorandum.

Summary

Based on careful review of updated annual operating budget forecasts for the Unrestricted General Fund is a hypothetical new MUSD prepared by WestEd, the financial consultants retained by advocates for a new MUSD, and updated forecasts for the Unrestricted General Fund in a new SMUSD prepared by the Existing District’s Chief Financial Officer (“SMMUSD CFO”), where these forecasts were derived from the Existing District’s FY 2014-2015 Second Interim financial status report and a set of analysis assumptions mutually agreed to by the FOC, the SMMUSD CFO and WestEd, the FOC concludes as follows:

- ***The only potential “deal breaker” is the need for a new MUSD Parcel Tax.*** In its charge to the FOC, the Board expressed particular interest in learning whether there were any financial issues sufficiently material to preclude support by the Board for the proposed unification – i.e., any so-called “deal breakers.” The FOC concludes that the only potential “deal breaker” is the need for the voters in Malibu to enact a new parcel tax that is roughly equivalent to the parcel tax that now applies in the Existing District, or alternatively the enactment of new State legislation permitting the current parcel tax to continue to be applied within the MUSD. The unification proponents have indicated that they intend to seek voter approval of a parcel tax as a condition of forming a new MUSD.
- ***Assuming a new parcel tax in Malibu, the proposed reorganization would not cause a substantial negative effect on the fiscal status of a new MUSD or SMUSD.*** As explained below, the FOC further concludes that, so long as the new MUSD obtains annual revenue

from a new parcel tax, both separate school districts would be financially solvent, as defined by the Ed Code, in the base year (FY 2014-15) and two succeeding fiscal years of operation, based on their respective forecasted year-end cash position and fund balances, and ability to fund the minimum three percent reserve for economic uncertainties.

- **Updating the WestEd forecast for a new MUSD to match the adopted FY 2015-16 SMMUSD Budget will not alter these conclusions.** Although the financial forecast for a new MUSD should be further updated to reflect increases in State funding for the current and next fiscal year, and certain operating cost increases imbedded in the Existing District's adopted budget for FY 2015-16, the FOC does not believe the update will materially alter the solvency conclusions derived from the Existing District's Second Interim, and may actually show some financial improvement over the current WestEd forecast.

The principal reasons for these positive financial solvency conclusions are that: (1) a new MUSD would become a "basic aid" school district, enabling it to utilize about \$4.8 million in allocated property tax revenue in excess of its State-determined Local Control Funding Formula ("LCFF") entitlement, even using a conservative assumption about annual growth in the assessed value of property; (2) SMUSD would keep a much larger share of the Existing District's roughly \$33 million in locally generated revenues it now shares with schools in Malibu (e.g., from the Measure R parcel tax, the City of Santa Monica joint use agreement, the City of Santa Monica Measure Y/YY sales tax measure, and lease revenue from joint occupancy developments); and (3) forecasted revenues exceed the scale diseconomies of operating two separate smaller school districts. MUSD would operate on an essentially break-even basis and exhibit a fund balance of about \$5 million in each of its first three years (again assuming new parcel tax revenue). SMUSD would exhibit an annual operating deficit in the outer years of the forecast, but would still have a healthy fund balance each year to draw against, just as the Existing District does now, such that its annual ending fund balance is \$10 million or more in each year of the forecast. Diligent financial stewardship to reduce SMUSD's annual operating deficit would still be needed.

Changes to the Financial Forecast Modeling Assumptions

In order to respond to the Board's direction with regard to the annual operating budgets for MUSD and SMUSD after unification, the FOC requested that WestEd and the SMMUSD CFO update previous forecasts for separate school districts that were initially prepared in 2013. The updates were intended to account for key changes in State funding for K-12 public education during the intervening years, and certain FOC and SMMUSD CFO questions about WestEd modeling assumptions used in the prior work. The requested changes, all of which were agreed to by WestEd and the MUSD proponents, included:

- Using the LCFF budgeting approach and related SMMUSD calculation assumptions, rather than the Revenue Limit approach that previously applied;
- A revised set of overhead operating cost assumptions that more explicitly takes into account separated school district scale economies;
- Including annual budget projections for an MUSD and SMUSD initial operating year and two additional operating years, consistent with standard school district budgeting practice, rather than the initial year only;
- Using updated enrollment forecasts and staffing for each school; and

- Including a sensitivity analysis for an MUSD budget showing the budget implications with and without new parcel tax revenue, which all parties understood to be a critical financial variable.

Accordingly, the SMMUSD CFO and WestEd then jointly developed a set of detailed revenue and operating cost calculation assumptions that were based on SMMUSD's FY 2014-15 Second Interim financial condition report. These assumptions were provided to and discussed by the FOC subcommittee focused on the operating budget issues. The resulting financial forecasts are included in the Appendices to this Memorandum. Appendix A includes the WestEd forecast for a new MUSD, using the SMMUSD Second Interim as the baseline. Appendix B includes the SMMUSD CFO's forecast for SMUSD also using the SMMUSD Second Interim as the baseline. Appendix C includes the SMMUSD CFO's forecast for SMUSD using the SMMUSD's adopted FY 2015-16 budget assumptions as the baseline.

Annual Revenues

The revenue profile of separate school districts post-unification would differ in many respects from SMMUSD today. As noted above, because of the scale of the assessed value of property in Malibu, and associated annual property tax revenue, a new MUSD would become a Basic Aid District, whereas SMMUSD would continue to rely on LCFF State Aid through Proposition 98 funding to make up the difference between its LCFF allocation and local property tax revenue. In fact, the SMUSD share of total revenue from LCFF State Aid funding would be somewhat larger than for SMMUSD today, due to a smaller assessed value/property tax revenue base within Santa Monica only. On the other hand, as also noted above, SMUSD would benefit by keeping nearly all of SMMUSD's extraordinary share of "local revenue," much of which derives from within Santa Monica and is now shared with schools in Malibu.

Table 1 summarizes forecasted total revenue for MUSD (with and without its share of current parcel tax revenue) and SMUSD, using SMMUSD's Second Interim as the baseline; and for SMUSD using the SMMUSD's adopted FY 2015-16 budget as the baseline.

Table 1
MUSD and SMUSD Revenue Forecasts Under Alternative FY 2014-15 Baselines

Revenue Category	2014-15	2015-16	2016-17	2017-18
Baseline = SMMUSD Second Interim				
Malibu Unified School District, With Parcel Tax				
LCFF Revenue				
Property Tax	\$ 17,371,428	\$ 17,892,571	\$ 18,429,348	\$ 18,982,228
LCFF State Aid	\$ -	\$ -	\$ -	\$ -
Other LCFF ¹	\$ 571,061	\$ 557,261	\$ 551,861	\$ 538,861
Other State Revenues ²	\$ 425,636	\$ 291,716	\$ 216,448	\$ 205,696
Other Federal Revenues	\$ -	\$ -	\$ -	\$ -
Local Revenues				
Measure R Parcel Tax	\$ 3,188,480	\$ 3,188,480	\$ 3,188,480	\$ 3,188,480
Other Local Revenue ³	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Local General Fund Contribution	\$ (3,235,031)	\$ (3,348,257)	\$ (3,455,401)	\$ (3,590,162)
Total Revenue	\$ 18,521,574	\$ 18,781,771	\$ 19,130,736	\$ 19,525,103
Malibu Unified School District, Without Parcel Tax				
LCFF Revenue				
Property Tax	\$ 17,371,428	\$ 17,892,571	\$ 18,429,348	\$ 18,982,228
LCFF State Aid	\$ -	\$ -	\$ -	\$ -
Other LCFF ¹	\$ 571,061	\$ 557,261	\$ 551,861	\$ 538,861
Other State Revenues ²	\$ 425,636	\$ 291,716	\$ 216,448	\$ 205,696
Other Federal Revenues	\$ -	\$ -	\$ -	\$ -
Local Revenues				
Measure R Parcel Tax	\$ -	\$ -	\$ -	\$ -
Other Local Revenue ³	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Local General Fund Contribution	\$ (3,235,031)	\$ (3,348,257)	\$ (3,455,401)	\$ (3,590,162)
Total Revenue	\$ 15,333,094	\$ 15,593,291	\$ 15,942,256	\$ 16,336,623
Santa Monica Unified School District				
LCFF Revenue				
Property Tax	\$ 46,995,932	\$ 46,995,931	\$ 46,995,931	N/A
LCFF State Aid	\$ 14,365,973	\$ 7,145,092	\$ 9,348,595	N/A
Other LCFF ¹	\$ 1,304,372	\$ 13,227,255	\$ 13,778,132	N/A
Other State Revenues ²	\$ 2,040,312	\$ 3,120,432	\$ 1,500,432	N/A
Other Federal Revenues	\$ 8,000	\$ 8,000	\$ 8,000	N/A
Local Revenues				
Measure R Parcel Tax	\$ 8,072,813	\$ 8,153,541	\$ 8,153,541	N/A
Other Local Revenue ³	\$ 18,776,307	\$ 19,052,269	\$ 19,324,614	N/A
Local General Fund Contribution	\$ (19,195,421)	\$ (19,195,421)	\$ (19,195,421)	N/A
Total Revenue	\$ 72,368,288	\$ 78,507,099	\$ 79,913,824	N/A
Baseline = Adopted SMMUSD FY 2015-16 Budget				
Santa Monica Unified School District				
LCFF Revenue				
Property Tax	N/A	\$ 51,434,743	\$ 51,434,743	\$ 51,434,743
LCFF State Aid	N/A	\$ 17,137,886	\$ 19,362,108	\$ 21,739,523
Other LCFF ¹	N/A	\$ 1,466,800	\$ 1,451,000	\$ 1,451,000
Other State Revenues ²	N/A	\$ 6,908,831	\$ 1,496,232	\$ 1,488,232
Other Federal Revenues	N/A	\$ 8,000	\$ 8,000	\$ 8,000
Local Revenues				
Measure R Parcel Tax	N/A	\$ 8,080,963	\$ 8,161,773	\$ 8,243,390
Other Local Revenue ³	N/A	\$ 21,226,823	\$ 21,409,614	\$ 21,685,407
Local General Fund Contribution	N/A	\$ (19,547,444)	\$ (19,938,393)	\$ (20,337,161)
Total Revenue	N/A	\$ 86,716,602	\$ 83,385,077	\$ 85,713,134

Sources: SMMUSD CFO, WestEd

According to the forecasts, a new MUSD would, with parcel tax revenue, generate about \$18.5 million in revenue in the FY 2014-15 base year, increasing to \$19.1 million over the succeeding two years (FY 2016-17), due largely to increases in local property tax revenue, which were conservatively estimate to increase at the rate of three percent per year. Lack of a parcel tax would reduce revenues by about \$3.2 million to \$3.5 million in each year of the forecast. Over the same period, SMUSD would generate a total of \$72.4 million in total revenue in the base year, increasing to \$79.9 million two years later, due largely to increases in LCFF State Aid. Using the adopted SMMUSD budget for FY 2015-16 instead as the analysis baseline, SMUSD would generate revenues of \$83.4 million by FY 2016-17, due to higher estimates for both property tax revenue and LCFF State Aid.

More detail about each revenue forecast is included in the Appendices.

Annual Operating Expenditures

School-level operating cost assumptions were based on FY 2014-15 operating cost estimates for each school located in Malibu and Santa Monica, including their respective staffing levels, and the forecasts assume continuation of essentially the same educational programs and offerings as currently provided in these schools by SMMUSD. WestEd and the SMMUSD CFO agreed on appropriate assumptions for centralized overhead cost increases that would apply to a new MUSD (e.g., a new Superintendent and new centralized department staffing), whereas the SMMUSD CFO made certain assumptions about modest reductions in centralized staffing costs for operating a smaller SMUSD (e.g., in Human Resources, Educational Services, Health Services, Special Education, Theater Operations, Computer Services, Purchasing, Grounds and Operations, and Maintenance). All certificated and classified school personnel now assigned to operation of each school in Malibu and Santa Monica were assumed to remain in place, with any actual post-unification changes to be subject to collective bargaining.

Based on these and other calculation assumptions, the annual expenditure forecasts for MUSD and SMUSD using the FY 2014-15 Second Interim baseline are summarized in Table 2, along with forecasts for SMUSD using the adopted 2015-16 budget as the baseline.

Table 2

MUSD and SMUSD Expenditure Forecasts Under Alternative FY 2014-15 Baselines

Revenue Category	2014-15	2015-16	2016-17	2017-18
Baseline = SMMUSD Second Interim				
<i>Malibu Unified School District</i>				
Certificated Salaries	\$ 8,674,819	\$ 8,804,941	\$ 8,937,015	\$ 9,071,071
Classified Salaries	\$ 2,961,948	\$ 3,006,377	\$ 3,051,473	\$ 3,097,245
Employee Benefits	\$ 3,941,600	\$ 4,290,999	\$ 4,695,797	\$ 5,193,017
Supplies/Books	\$ 796,477	\$ 815,592	\$ 837,613	\$ 861,067
Other Operational Costs	\$ 1,570,479	\$ 1,608,170	\$ 1,651,591	\$ 1,697,836
Other Expenditures ¹	\$ 50,000	\$ 51,200	\$ 52,582	\$ 54,055
Total Expenditures	\$ 17,995,323	\$ 18,577,279	\$ 19,226,071	\$ 19,974,291
<i>Santa Monica Unified School District</i>				
Certificated Salaries	\$ 37,922,447	\$ 38,491,284	\$ 39,068,653	N/A
Classified Salaries	\$ 12,556,255	\$ 12,744,599	\$ 12,935,768	N/A
Employee Benefits	\$ 16,681,346	\$ 18,124,962	\$ 19,753,980	N/A
Supplies/Books	\$ 1,799,683	\$ 1,800,000	\$ 1,800,000	N/A
Other Operational Costs	\$ 6,936,632	\$ 7,000,000	\$ 7,000,000	N/A
Other Expenditures ¹	\$ (460,437)	\$ 2,179,595	\$ 1,058,044	N/A
Total Expenditures	\$ 75,435,926	\$ 80,340,440	\$ 81,616,445	N/A
Baseline = Adopted SMMUSD FY 2015-16 Budget				
<i>Santa Monica Unified School District</i>				
Certificated Salaries	N/A	\$ 40,972,000	\$ 41,145,440	\$ 41,625,353
Classified Salaries	N/A	\$ 14,318,771	\$ 14,533,553	\$ 14,751,556
Employee Benefits	N/A	\$ 19,371,325	\$ 21,022,644	\$ 22,816,545
Supplies/Books	N/A	\$ 2,431,667	\$ 2,400,000	\$ 2,400,000
Other Operational Costs	N/A	\$ 8,746,270	\$ 8,700,000	\$ 8,700,000
Other Expenditures ¹	N/A	\$ (28,849)	\$ 95,938	\$ 431,669
Total Expenditures	N/A	\$ 85,811,184	\$ 87,897,575	\$ 90,725,123

¹ Includes capital outlay, debt service, indirect costs, inter-fund transfers, LCAP increase above 2015-16, and mandated/common core program.

Sources: SMMUSD CFO, WestEd

According to the forecasts, a new MUSD would incur about \$18.0 million in operating expenditures in the FY 2014-15 base year, increasing to \$19.2 million over the succeeding two years, due largely to “step and column” salary increases and rising costs of employee benefits. Over the same period, a new MUSD would incur about \$75.4 million in operating expenditures in the base year, increasing to \$81.6 million two years later, also due primarily to personnel-related cost increases. Using the adopted SMMUSD budget for FY 2015-16 instead as the analysis baseline, SMUSD would incur expenditures of \$87.9 million by FY 2016-17.

More detail about the annual expenditure forecasts is included in the Appendices.

Annual Net Operating Results

Table 3 shows that after netting forecasted annual expenditures against forecasted annual revenues, a new MUSD would show a modest positive net operating revenue in the base year (about \$526,000) and slightly negative net operating revenue (about -\$95,000) two years later, assuming parcel tax revenue. Absent MUSD's share of the current parcel tax revenue, the net operating budget for a new MUSD would be negative in all future years of the forecast (i.e., from -\$2.7 million in FY 2014-15 to -\$3.3 million in FY 2016-17). SMUSD's net operating budget would be negative in all years of the forecast (i.e., from -\$3.1 million in FY 2014-15 to -\$1.7 million in FY 2016-17), reflecting the structural operating deficit in the SMMUSD. Using the adopted SMMUSD budget for FY 2015-16 instead as the analysis baseline, SMUSD's net operating revenue would be -\$4.5 million by FY 2016-17. More detail about net operating results for each forecast is included in the Appendices.

Table 3
MUSD and SMUSD Net Operating Revenue Forecasts Under Alternative FY 2014-15 Baselines

Revenue Category	2014-15	2015-16	2016-17	2017-18
Baseline = SMMUSD Second Interim				
<i>Malibu Unified School District, With Parcel Tax</i>				
Total Revenues	\$ 18,521,574	\$ 18,781,771	\$ 19,130,736	\$ 19,525,103
Total Expenditures	\$ (17,995,323)	\$ (18,577,279)	\$ (19,226,071)	\$ (19,974,291)
Net Operating Revenues	\$ 526,251	\$ 204,492	\$ (95,335)	\$ (449,188)
<i>Malibu Unified School District, Without Parcel Tax</i>				
Total Revenues	\$ 15,333,094	\$ 15,593,291	\$ 15,942,256	\$ 16,336,623
Total Expenditures	\$ (17,995,323)	\$ (18,577,279)	\$ (19,226,071)	\$ (19,974,291)
Net Operating Revenues	\$ (2,662,229)	\$ (2,983,988)	\$ (3,283,815)	\$ (3,637,668)
<i>Santa Monica Unified School District</i>				
Total Revenues	\$ 72,368,288	\$ 78,507,099	\$ 79,913,824	N/A
Total Expenditures	\$ (75,435,926)	\$ (80,340,440)	\$ (81,616,445)	N/A
Net Operating Revenues	\$ (3,067,638)	\$ (1,833,341)	\$ (1,702,621)	N/A
Baseline = Adopted SMMUSD FY 2015-16 Budget				
<i>Santa Monica Unified School District</i>				
Total Revenues	N/A	\$ 86,716,602	\$ 83,385,077	\$ 85,713,134
Total Expenditures	N/A	\$ (85,811,184)	\$ (87,897,575)	\$ (90,725,123)
Net Operating Revenues	N/A	\$ 905,418	\$ (4,512,498)	\$ (5,011,989)

Sources: SMMUSD CFO, WestEd

Fund Balance Results

The MUSD forecast assumes that its beginning balance in FY 2014-15 would be about \$4.6 million, based on a fair share allocation of SMMUSD assets. This, in combination with the forecasted net operating results discussed above (including parcel tax revenue), means that a new MUSD would have a positive ending fund balance of about \$5.1 million each year of the forecast, and about a \$4.0-\$4.5 million unappropriated balance after designated reserves and the three percent contingency for economic uncertainties. The ending fund balances and

unappropriated balances would both be negative after the initial forecast year without MUSD's share of the existing parcel tax. Both outcomes are based on using the SMMUSD Second Interim as the baseline. For SMUSD, and also using the Second Interim baseline, the ending fund balance would be about \$10 million or more in each year of the forecast, and the unappropriated balance would be about \$5.8 million. Using the adopted SMMUSD budget for FY 2015-16 instead as the analysis baseline, a new SMUSD's ending fund balanced would be about \$15.7 million by FY 2016-17, and the unappropriated balance would be about \$16.4 million by FY 2016-17. These results are summarized in Table 4. More detail about forecasted fund balance results is provided in the Appendices.

Table 4
MUSD and SMUSD Fund Balance Forecasts Under Alternative FY 2014-15 Baselines

Revenue Category	2014-15	2015-16	2016-17	2017-18
Baseline = SMMUSD Second Interim				
Malibu Unified School District, With Parcel Tax				
Beginning Fund Balance	\$ 4,555,328	\$ 5,081,579	\$ 5,219,121	\$ 5,123,785
Ending Fund Balance	\$ 5,081,579	\$ 5,219,121	\$ 5,123,785	\$ 4,674,598
Dedicated Reserves ¹	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
3% Reserve for Economic Uncertainties	\$ 696,600	\$ 718,563	\$ 739,178	\$ 765,596
Unappropriated Fund Balance	\$ 4,379,979	\$ 4,495,558	\$ 4,379,607	\$ 3,904,002
Malibu Unified School District, Without Parcel Tax				
Beginning Fund Balance	\$ 4,555,328	\$ 1,893,099	\$ (1,157,838)	\$ (4,441,654)
Ending Fund Balance	\$ 1,893,099	\$ (1,157,838)	\$ (4,441,654)	\$ (8,079,320)
Dedicated Reserves ¹	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
3% Reserve for Economic Uncertainties	\$ 696,600	\$ 718,563	\$ 739,178	\$ 765,596
Unappropriated Fund Balance	\$ 1,191,499	\$ (1,881,401)	\$ (5,185,832)	\$ (8,849,916)
Santa Monica Unified School District				
Beginning Fund Balance	\$ 16,600,000	\$ 13,532,363	\$ 11,699,022	N/A
Ending Fund Balance	\$ 13,532,363	\$ 11,699,022	\$ 9,996,401	N/A
Dedicated Reserves ¹	\$ 3,630,588	\$ 1,802,621	\$ 100,000	N/A
3% Reserve for Economic Uncertainties	\$ 4,046,569	\$ 4,050,085	\$ 4,178,984	N/A
Unappropriated Fund Balance	\$ 5,855,206	\$ 5,846,316	\$ 5,717,417	N/A
Baseline = Adopted SMMUSD FY 2015-16 Budget				
Santa Monica Unified School District				
Beginning Fund Balance	N/A	\$ 19,282,082	\$ 20,187,501	\$ 15,675,002
Ending Fund Balance	N/A	\$ 20,187,501	\$ 15,675,002	\$ 10,671,014
Dedicated Reserves ¹	N/A	\$ 4,612,498	\$ (4,903,989)	\$ 100,000
3% Reserve for Economic Uncertainties	N/A	\$ 4,050,085	\$ 4,178,984	\$ 4,178,985
Unappropriated Fund Balance	N/A	\$ 11,524,917	\$ 16,400,007	\$ 6,392,029

¹ Includes revolving cash, stores, and reserves for deficit spending.

Sources: SMMUSD CFO, WestEd



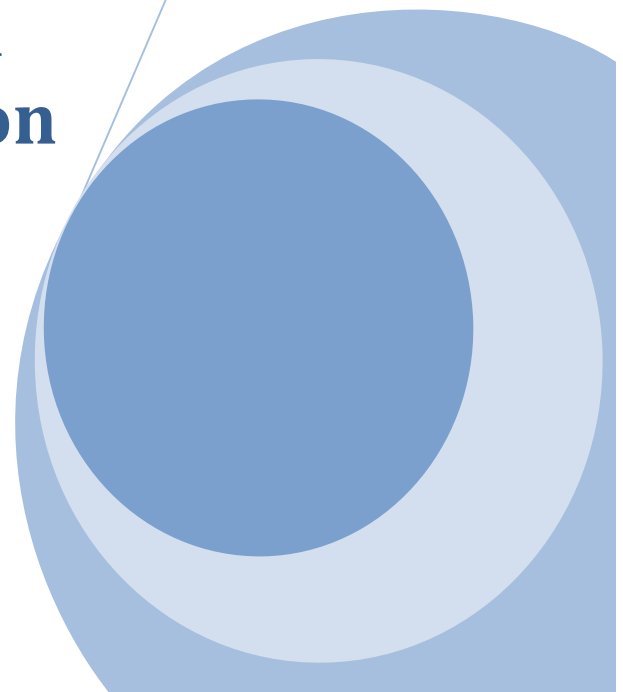
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**Feasibility Analysis of
Proposed Santa Monica-
Malibu Unified School
District Reorganization**

January 2013

WestEd 



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Executive Summary

This report, prepared by WestEd as consultant to the Advocates for Malibu Public Schools (AMPS), assesses the feasibility of reorganizing the current Santa Monica-Malibu School District into two unified school districts that follows city/community demarcations for the areas of Malibu and Santa Monica. This analysis is organized around the nine criteria set forth in Education Code that addresses issues of identity, program, and fiscal viability of reorganization proposals.

Based on the analysis of data, interviews, and review of information, most of the state criteria for reorganization are met. There are a few criteria for which specific conditions must be addressed before the criteria can be considered to be met. Following is a brief description of the criteria for which there are remaining further details required before they can be deemed as substantially met:

- **Criterion 2: Community Identity** – Many residents view the two areas, the City of Santa Monica and the City of Malibu as distinctly separate communities – with their own character and identity. Interviews should be conducted with students and parents from both attendance areas to confirm the presumption that there are indeed ties to their community as defined by their high school and elementary school district enrollment areas. If the interview data bears out this presumption - then this criterion would be met.
- **Criterion 3: Equitable Property and Facility Division** – There are numerous reasons to expect that all property and facilities would be divided equitably. The only remaining questions are what method the districts would use to do so and what facility options are available to address the relocation of central services for Malibu Unified School District. Currently, the District Office, Maintenance and Operations Office and Transportation Yard are located in facilities on sites in Santa Monica.
- **Criterion 6: No Disruption to Educational Programs or Performance** – While the core offerings at all impacted schools would likely remain strong, or even improve, the needs of students requiring special opportunities and services have not been fully addressed. Specifically, this report identifies questions regarding provision of services for students with disabilities, English Learners, and students requiring alternative education options.
- **Criterion 9: No Substantial Negative Impact on District Fiscal Management or Status** – This report finds that should the District reorganize, the resulting Santa Monica Unified and Malibu Unified School Districts would be financially viable so long as each district’s management team adopt procedures to improve economies of scale and negotiate reasonable salary schedules with their employees that allow for long-term fiscal

solvency. The continuation of the Measure R parcel tax is critical to deem the reorganization viable. For this reason, we recommend that legal counsel be consulted; and if necessary, special legislation be considered to delineate conditions for preserving the Measure R parcel tax revenue for the resulting districts. The continued level of uncertainty regarding state funding makes it difficult to fully evaluate this criterion; updates are likely necessary as the state's fiscal condition becomes clearer.

Based on the available information, if the above issues can be addressed to the satisfaction of all affected stakeholder groups, this report finds that the state criteria applied to the evaluation of reorganization proposals are adequately met.

Background

The Petition and Review Process

The California Education Code prescribes a process by which community members, local school boards, or property owners can initiate a petition or recommendation to reorganize a school district. The options include:

- Petition signed by 25% of registered voters in the inhabited territory proposed to be reorganized; or
- Petition signed by the owner(s) of uninhabited territory; or
- Petition signed by governing board(s) of all affected districts.

Presuming one of the above options is followed to formalize a petition for reorganization, the county and state review school district reorganization proposals prior to putting a proposal up for a public election. The petition is filed with the County Superintendent of Schools. A sufficient petition is simultaneously filed with the State Board of Education (SBE) and the County Committee on School District Organization (SDO). The SDO convenes a series of meetings to address the petition. Proponents, opponents and other interested parties present their arguments and make their comments before the SDO at these meetings and formal public hearings. After the state-mandated hearings have occurred, the SDO may then hold additional hearings or other public meetings where they can hear from the impacted and interested parties. Within 120 days of the first public hearing, the SDO shall take action on the petition. The County Committee's actions and recommendations are forwarded to the State Board of Education.

The School District Organization's Role

Under Education Code Sections 35706 and 35707, the SDO must present the SBE with a recommendation on whether or not to approve the petition, based in part on whether the proposed change "would adversely affect the school district organization of the county." In order to formulate a recommendation, the SDO must apply nine criteria laid out in Education Code Section 35753. In transmitting its recommendation, the SDO must also present the SBE with its votes on whether the petition satisfies each of the nine criteria. Finally, the SDO may offer the State Board advice on the voting areas for the petition, should the SBE approve it.

The State Board of Education's Role

While the SDO must apply certain criteria as identified in the Education Code, the SBE enjoys more flexibility in its analysis. While the SBE must apply the same nine criteria listed in Education Code Section 35753, it may determine that the criteria could not be possibly or practically applied to the situation, or that exceptional circumstances exist "sufficient to justify approval of the proposals"

(Ed. Code Section 35753). The SBE may also, by regulation, choose to apply additional criteria.

The SBE determines the election area if it approves the petition for public vote. Several past court cases, including *Board of Supervisors of Sacramento County, et al., v. Local Agency Formation Commission (LAFCO)* (1992) (3 Cal. 4th 903), guide the SBE in its decision. This issue will be addressed in greater detail at the end of this report.

Before the SBE meets to make any of the above decisions, the SBE holds additional public hearings and the California Department of Education (CDE) prepares extensive reports for the SBE's review. Following several months of research, the CDE summarizes the key issues and any previous action on the agenda item and then further analyzes the nine criteria's application to this proposal. The SBE's review process has taken up to nine months.

Report Purpose and Limitations

This report assesses the feasibility of reorganizing the current Santa Monica-Malibu School District into two unified school districts that follows city/community demarcations for the areas of Malibu and Santa Monica. This analysis is organized around the nine criteria set forth in Education Code (Ed. Code) Section 35753 and California Code of Regulations (CCR), Title 5, Section 18573, which specifically address the nine criteria as well as specific elements to use in applying the criteria. In addition, the *School District Organization Handbook*¹ further explores the criteria and their respective elements, and should serve as a key resource for the Committee.

Data is Time-specific

The most current available data was used to complete this analysis. In most cases, this meant that 2011-12 unaudited actuals data was used to complete the fiscal analysis. Data related to school demographics and academic performance was generally from the 2011-12 school year, but when such data was unavailable, data from the most recent available year was used.

We do not expect final data to differ significantly from the information that was used for this analysis. However, it is to be expected that some numbers will change as actual data rather than projections are available.

¹ The *School District Organization Handbook* was approved by the California State Board of Education and written by the California County Superintendents, Educational Services Association and the School Business Services Division of the California Department of Education in 1998.

Source of Data

This analysis is based primarily on data that was provided by the Santa Monica-Malibu Unified School District (District). To adequately address certain criteria, this analysis also relied on other collected data. For the purpose of this analysis, generally we assumed that the provided data was valid and complete. If there was uncertainty about the validity or completeness of data, it was independently verified or not used. The sources of data used as part of the analysis are identified at the end of each section.

Frame of Reference

This analysis is generally based on fiscal information and data from the 2011-12 school year. According to the Education Code, the final calculations of the adjusted revenue limit will be based upon data from the school year two years prior to the reorganization. Depending upon the decision as to whether or not a petition will be filed with the County Superintendent of Schools, the actual timing of the process would be dependent on how long it takes the SBE to reach a decision about the feasibility of the petition. The petition – if approved by voters – would not go into effect until the 2013-14 school year at the earliest. This is a rather optimistic estimate given that the SBE generally takes approximately nine months to review petitions. If the SBE agrees to the reorganization, it must be brought before voters and approved before the change could occur. Under this scenario, it may be more reasonable to expect a 2014-15 school year implementation. If this were the case, data from the upcoming school year, 2012-13, would be the basis for the calculation of the revised revenue limit. The findings based on the 2011-12 data are nonetheless relevant because they provide a basis for understanding trends and effects resulting from the proposed reorganization.

Criterion 1: Adequate Enrollment

The new districts will be adequate in terms of number of pupils enrolled.

- *Education Code Section 35753(a)(1)*

It is the intent of the State Board that direct service districts not be created that will become more dependent upon county offices of education and state support unless unusual circumstances exist. Therefore, each district affected must be adequate in terms of numbers of pupils, in that:

- (A) Each such district should have the following projected enrollment on the date that the proposal becomes effective or any new district becomes effective for all purposes:

Elementary District	901
High School District	301
Unified District	1,501

- (B) The analysis shall state whether the projected enrollment of each affected district will increase or decline and the extent thereof.

- *California Code of Regulations, Title 5, Section 18573(a)(1)*

Description & Findings

This criterion requires consideration of the current enrollment level, historic trends, and projections. Currently, the District does not allow open enrollment for its students, but does allow intradistrict transfers on a case by case basis. An analysis of enrollment data sorted by zip codes found that there are currently approximately 42 students from within the Santa Monica area (zip codes 90401-90406) attending schools in Malibu. Approximately 58 students from the Malibu attendance area (zip codes 90262, 90265, 90272, and 90290) are attending schools in Santa Monica. Additionally, there are students attending District schools from other district areas via interdistrict transfers. For the purpose of this analysis, we assume that such interdistrict transfer would continue, but given the small numbers, would have limited to no impact on the evaluation of this criteria.

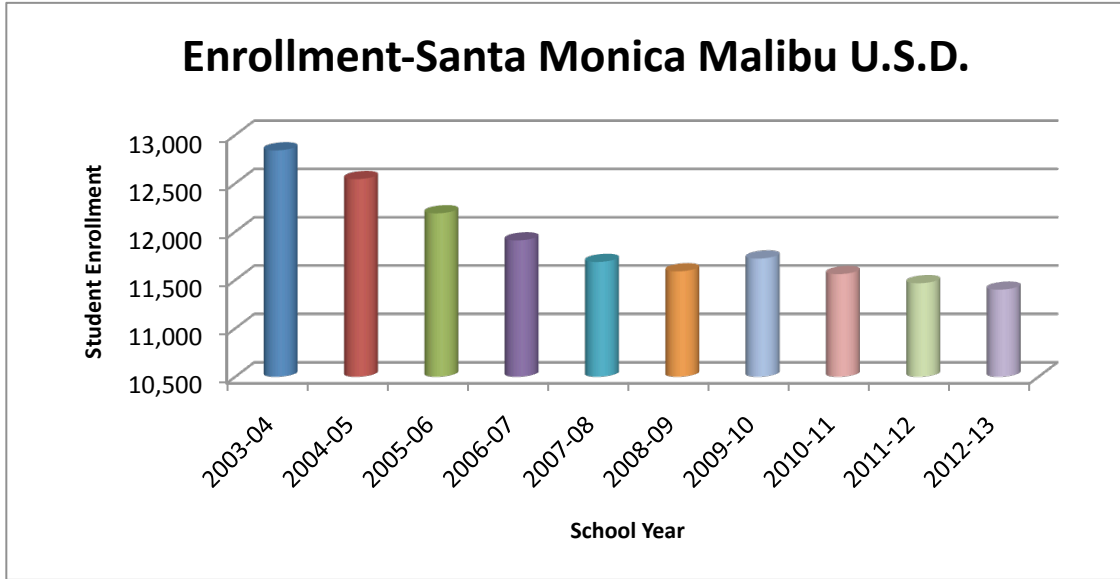
If reorganization occurs, transfer policies would be at the discretion of the new governing boards. Students that wish to attend schools outside their attendance area boundary would need to apply for an interdistrict transfer and the approval of the transfers would be at the discretion of the governing board of the district to which they apply.

Analysis

Analysis under this criterion includes consideration of enrollment based on current data, opportunities for growth in the area, and any factors that could affect future enrollment. As shown in Figure 1, the District has experienced

declining enrollment for the past eight years, with the exception of 2009-10 when the District saw enrollment increase by 132 students.

Figure 1: Enrollment Santa Monica-Malibu Unified School District 2003-2004 through 2011-12



Source: California Department of Education, Dataquest

The enrollment is forecast to remain flat for the near future. One reason for the decline in enrollment is that the cohort of kindergarten students is smaller than the 12 grade cohort, which results in a year over year decline until such a time that the kindergarten and 12 grade cohorts are of equal size or there is enough growth in other grades to equalize or exceed the loss of students.

Proposed Malibu Unified School District

The state expects that reorganizations will not result in districts it deems too small to be efficient. The standard set for unified school district enrollment is that they must at least have 1,501 students or more. The enrollment of students living within the attendance boundaries of Malibu is estimated to be approximately 2,037 and therefore would be sufficient to meet the standard. For the purpose of this analysis, it is presumed that the proposed Malibu Unified School District's attendance area will include the City of Malibu plus the unincorporated areas of Los Angeles County that are currently included in the District's boundaries.

Proposed Santa Monica Unified School District

If the proposed reorganization occurs, the enrollment of the Santa Monica Unified School District would surpass the minimum 1,501 student standard with its approximate enrollment of 9,431.

Limited Opportunity for Short-term Growth

As noted above, over the past several years, enrollment in the District has been declining. Due to environmental constraints and infrastructure limitations the trend of continued decline will likely continue for the City of Malibu. There have been approximately 119 new housing units constructed in the City of Malibu during the period of 2006-2011, which is a low growth rate.

The City of Santa Monica has the constraint of limited vacant land for new single family homes; but by recycling lower density use land into higher density use, there have been 2,174 housing units completed during the period of 1998 to 2005. It is of interest to note that while there has been an increase in the number of housing units, the size of the average household in Santa Monica has declined by 7% since 1980. This decline is attributed to a decline in families and an increase in single households, which more than likely has contributed to the decline in student enrollment. Based on the District's enrollment forecast, this trend is likely to continue.

In general, any shifts in school-age population between the two new districts will likely be minor and would not drive either of the districts enrollments below the standard. Other potential population or enrollment swings, such as the opening or closing of a private school in the area, while difficult to predict, are unlikely to change the ability of the resulting districts to meet the state's criteria.

Conclusions

Under state law, when school districts reorganize, the resulting districts should meet minimum enrollment standards. Assuming no drastic or unexpected change in the population of students attending public schools in Malibu and Santa Monica, both districts will meet the enrollment standards. Therefore, the proposed reorganization would meet this criterion.

Sources Consulted

- California Department of Education's California Basic Educational Data System
- Enrollment data provided by SMMUSD student data system
- 2008-14 City of Malibu Housing Element Report
- 2008-14 City of Santa Monica Housing Element Report
- City of Santa Monica Civic Center Specific Plan FEIR 2004

Criterion 2: Community Identity

The districts are each organized on the basis of a substantial community identity.

- Education Code Section 35753(a)(2)

To determine whether the new district is organized on the basis of substantial community identity, the State Board of Education will consider the following criteria:

- (A) Isolation
- (B) Geography
- (C) Distance between social centers
- (D) Distance between school centers
- (E) Topography
- (F) Weather
- (G) Community, school, and social ties, and other circumstances distinctive about the area.

- California Code of Regulations, Title 5, Section 18573(a)(2)

Description

The Ed. Code requires that districts be organized “on the basis of a substantial community identity.” The CCR addresses specific aspects, each of which is analyzed briefly below. These specific aspects include isolation and geography; topography and weather; distance between social and school centers; community, school and social ties; and other circumstances distinctive about the area. In addition, the *School District Organization Handbook* cites factors such as traffic and shopping patterns; recreation, sports and park usage patterns; city council activity; and architecture as important in identifying community identity.

Analysis

Isolation and Geography

The City of Santa Monica is located on the western oceanfront edge of Los Angeles County at the crossroads of the Pacific Coast Highway and Interstate 10 and is bordered by the City of Los Angeles on the east and north; and with just 8.3 square miles of land, it is one of the most densely population urban areas in the state. Given the relatively compact area, as compared to much larger and/or rural districts in the state, little of the Santa Monica area could be considered isolated. All populated areas of the city lie within several miles of shopping, parks, and major transportation routes as well as the area’s public schools.

The City of Malibu also lies on the oceanfront edge of Los Angeles County. The city is bordered by unincorporated Los Angeles County to the north and west; the city of Los Angeles and Pacific Palisades to the east; and the Pacific Ocean to the south. The city has nearly 20 square miles of land and has a relatively low population density, providing for a relatively rural atmosphere. The Pacific Coast

Highway runs east-west through the town and is the major ingress and egress to the city. The majority of the city's populated areas lie within several miles of shopping, parks, and major transportation routes as well as the area's public schools.

Topography and Weather

There would be no significant changes in the topography as a result of the proposed reorganization. This is based on the presumption that there will be no changes to the current attendance areas for students attending schools located in Santa Monica. In other words, the city limits of the City of Santa Monica will become the boundary for the Santa Monica Unified School District. Likewise, the city limits of Malibu plus the unincorporated areas of Los Angeles County that are currently included within the attendance areas served by school locations in Malibu will become the boundary for the Malibu Unified School District. Due to the proximity of both areas being discussed, weather patterns do not differ greatly across the area.

Distance Between School and Social Centers

The relative distances between school and social centers do not impose a major impediment to residents of either city because there are no changes proposed to the attendance areas that currently serve each city.

The same rationale can be applied to the children's activities and community life, athletics, recreation and other extracurricular activities as well as to activities such as Boy Scouts and Girl Scouts, which are dependent on individual neighborhoods, schools or religious organizations.

Conclusion

The two areas are not contiguous geographic areas and many residents view the two areas, the City of Santa Monica and the City of Malibu, as distinctly separate communities – with their own character and identity. This viewpoint includes educational and youth activities as students tend to attend schools and participate in activities within their neighborhood areas. Interviews should be conducted with students and parents from both attendance areas to confirm the presumption that there are indeed ties to their community as defined by their high school and elementary school district enrollment areas. If the interview data bears out this presumption, then this criterion would be met.

Sources Consulted

- Local organization's written materials and web sites
- Local government agencies' written materials and web sites

Criterion 3: Equitable Property and Facility Division

The proposal will result in an equitable division of property and facilities of the original district or districts.

- *Education Code Section 35753(a)(3)*

To determine whether an equitable division of property and facilities will occur, the Department will determine which of the criteria authorized in Education Code Section 35736 shall be applied. It shall also ascertain whether the affected school districts and the county office of education are prepared to appoint the committee described in Education Code Section 35565 to settle disputes arising from such division of property.

- *California Code of Regulations, Title 5, Section 18573(a)(3)*

When a school district is reorganized and when the allocation of funds, property, and obligations is not fixed by terms, conditions, or recommendations as provided by law, the funds, property, and obligations of a former district, except for bonded indebtedness, shall be allocated as follows: (a) The real property and personal property and fixtures normally situated thereat shall be the property of the district in which the real property is located. (b) All other property, funds, and obligations, except bonded indebtedness, shall be divided pro rata among the districts in which the territory of the former district is included. The basis for the division and allocation shall be the assessed valuation of the part of the former district which is included within each of the districts.

- *Education Code Section 35560*

... In providing for this division, the plans and recommendations may consider the assessed valuation of each portion of the district, the revenue limit per pupil in each district, the number of children of school age residing in each portion of the district, the value and location of the school property, and such other matters as may be deemed pertinent and equitable.

- *Education Code Section 35736*

Any funds derived from the sale of the school bonds issued by the former district shall be used for the acquisition, construction, or improvement of school property only in the territory which comprised the former district or to discharge bonded indebtedness of the former district, except that if the bonded indebtedness is assumed by the new district, the funds may be used in any area of the new district for the purposes for which the bonds were originally voted for

- *Education Code Section 35561*

If a dispute arises between the governing boards of the districts concerning the division of funds, property, or obligations, a board of arbitrators shall be appointed which shall resolve the dispute...

- *Education Code Section 35565*

Description & Findings

Assessing this criterion requires consideration of the proposed reorganization’s impact on the division of real and personal property and bonded indebtedness. If two new districts formed from the existing District, the real property and personal property and fixtures normally situated in the school sites within the new school district boundaries would belong to the resulting districts. All other property, funds, and obligations (except bonded indebtedness) must be divided pro rata between the impacted districts.

Ed. Code Section 35736 allows the County Committee to recommend, and the SBE to employ, a variety of methods to equitably divide the remaining property and funds—including assessed valuation, average daily attendance, value and location or property, or other equitable means. If the petition is approved, the SDO should be prepared to convene a Board of Arbitrators (per Education Code Section 35565) to settle any disputes related to the division of property. The Board of Arbitrators must consist of one member appointed by each school district and one appointed by the County Superintendent of Schools. Arbitration will be the responsibility of the entire Board unless the districts, by mutual accord, appoint the County Superintendent’s appointee as sole arbitrator.

Analysis

Since the passage of Proposition 13, the most common method for dividing property is by average daily attendance (ADA). Based on data from the 2011-12 attendance report and Dataquest, this would result in the transfer of approximately 17.77% of the assets and liabilities of the Santa Monica-Malibu Unified School District to the Malibu Unified School District and 82.23% to the Santa Monica Unified School District. Figure 2 provides an overview of the financial impact reorganization would have upon the division of assets and liabilities based on the listed methods.

Figure 2: Asset and Liability Distribution

2011-12 Unaudited Actuals	Basis of Division	Total	MUSD	SMUSD
ASSETS				
General Fund	ADA	\$ 20,542,710	\$ 3,650,440	\$ 16,892,270
Adult Education	ADA	\$ 315,809	\$ 56,119	\$ 259,689
Child Development	ADA	\$ 41,298	\$ 7,339	\$ 33,959
Cafeteria Special Revenue	ADA	\$ 296,317	\$ 52,656	\$ 243,661
Deferred Maintenance	ADA	\$ 482,842	\$ 85,801	\$ 397,041
Building Fund	ADA	\$ 89,004,340	\$ 15,816,071	\$ 73,188,269
Capital Facilities	ADA	\$ 9,529,531	\$ 1,693,398	\$ 7,836,133
Special Reserve for Capital Outlay	ADA	\$ 6,462,841	\$ 1,148,447	\$ 5,314,394
Bond Interest and Redemption	Assessed Valuation	\$ 16,500,478	\$ 5,189,400	\$ 11,311,078
Self-Insurance Fund	ADA	\$ (4,002,033)	\$ (711,161)	\$ (3,290,872)
Total Assets		\$ 139,174,133	\$ 26,988,509	\$ 112,185,623

Santa Monica-Malibu Unified School District Feasibility Report

2011-12 Unaudited Actuals	Basis of Division	Total	MUSD	SMUSD
LIABILITIES				
General Obligation Bonds	Assessed Valuation	\$ 249,594,488	\$ 78,497,466	\$ 171,097,022
Premium and issuance costs	Assessed Valuation	\$ 2,664,442	\$ 837,967	\$ 1,826,475
Compensated Absences	ADA	\$ 1,036,654	\$ 184,213	\$ 852,441
Post Employ. Benefits	ADA	\$ 4,358,801	\$ 774,559	\$ 3,584,242
COP Payable	ADA	\$ 18,388,167	\$ 3,267,577	\$ 15,120,590
COP Premium and Issuance costs	ADA	\$ 386,022	\$ 68,596	\$ 317,426
Total Liabilities		\$ 276,428,574	\$ 83,630,379	\$ 192,798,195

Source: 2011-12 Unaudited Actuals and 2011-10 External Audit

Property Tax Revenue

The distribution of property tax revenue as a result of school district reorganization is determined pursuant to Section 99 of the Revenue and Taxation Code. The county assessor is required to notify the county auditor of the assessed valuation of the territories. The county auditor then estimates the amount of property tax revenue generated in the territories and notifies the school districts' governing boards of this amount. The governing boards of the districts must negotiate property tax exchange within 60 days of receiving notification from the county auditor or the County Board of Education determines the exchange.

In almost all cases the tax revenue generated by the territory within the new district's boundaries is transferred to the district receiving the territory. However, Section 99 of the Revenue and Taxation Code stipulates that the division of property tax revenues is subject to negotiation.

Bonded Indebtedness

In November 1998, voters approved a general obligation bond measure, which authorized the District to issue and sell \$42 million in general obligation bonds. The bonds were issued to accomplish the rehabilitation, construction and renovation of school facilities to improve learning conditions, remove asbestos, make earthquake safety improvements, provide American with Disabilities Act access, and pay for the cost of issuance associated with the bond.

In November 2006, voters approved Measure BB, which authorized the District to issue and sell \$268 million in general obligation bonds. The bonds in this measure were issued to finance construction, renovation, modernization, equipping school facilities, and to pay for the cost of issuance associated with this bond issue.

In addition to these two bond measures, the District has issued Refunding Bonds in 1998 and 2006. The purpose of the 1998 issue was to refund and defease all of the 1991A Bonds and 1993 Bonds maturing after August 1, 1998. The 2006

issue was to refund all or portions of outstanding General Obligation Bonds from the 1998 election, Series 2001 and the costs of issuance.

Figure 3 shows the dates, amounts, type of issuance, and outstanding principal amount for each of the District's bonds.

Figure 3: Bonded Debt

Issue Date	Maturity Date	Original Issue	Bonds Outstanding June 30 2011
June 18, 1998	August 1, 2018	\$ 68,145,000	\$ 34,245,000
May 26, 1999	August 1, 2023	\$ 38,000,034	\$ 44,869,488
June 1, 2001	August 1, 2025	\$ 3,995,000	\$ 140,000
February 23, 2006	August 1, 2025	\$ 3,285,000	\$ 3,130,000
October 2, 2007	August 1, 2032	\$ 60,000,000	\$ 45,210,000
July 23, 2009	August 1, 2019	\$ 11,875,000	\$ 8,875,000
July 23, 2009	August 1, 2034	\$ 48,125,000	\$ 48,125,000
July 14, 2010	July 1, 2023	\$ 10,690,000	\$ 10,690,000
July 14, 2010	July 1, 2035	\$ 54,310,000	\$ 54,310,000
Total			\$ 249,594,488

Source: 2010-11 External Audit and Standard and Poor's Global Credit Portal 2010
*Estimated amount based on Standard and Poor's data

As shown in Table 3, as of June 30, 2011, the District had approximately \$250 million in outstanding bond debt. Currently, the District is in the process of issuing the final series of bonds in Measure BB. The final series will be in the amount of \$83,000,000 and this will complete the bonding authority under Measure BB. Once the transaction related to issuing the final series is complete, the data in Table 3 will need to be updated to reflect the additional bonded indebtedness. Additionally, on November 6, 2012, the voters of Santa Monica and Malibu approved a general obligation bond, Measure ES, which authorizes the District to issue and sell \$385,000,000 in general obligation bonds. The outstanding bond debt should be considered in relation to the net bonding capacity of the districts created by the proposed reorganization. Unified school districts are limited in their bonding capacity by Ed. Code 15270 which states that unified school districts may not exceed 2.5 percent of the taxable property of the district as shown by the last equalized assessment of the county or counties in which the district is located.

Figure 4 reflects the assessed values for the incorporated areas of the City of Malibu and Santa Monica; because there is no territory increase/decrease proposed in the reorganization, there would not be any changes to the bonding capacity of the new districts. The current District boundaries include un-incorporated areas of Los Angeles County; the value of properties contained in the un-incorporated area is not included in Table 4.

Figure 4: Bonding Capacity

Bonding Capacity	Current Capacity		New Capacity	
	SMMUSD	MUSD	SMUSD	
Assessed Value	\$ 35,951,206,235	\$ 11,307,826,952	\$ 24,643,379,283	
Bonding Capacity (AV x 2.5%)	\$ 898,780,156	\$ 282,695,674	\$ 616,084,482	
Outstanding Bonds	\$ 249,594,488	\$ 43,978,549	\$ 205,615,939	
Net Bonding Capacity	\$ 649,185,668	\$ 238,727,125	\$ 410,468,543	

Sources: Los Angeles County Assessor's 2011 Report and District's 2010-11 External Audit Report

The District has a variety of projects in progress funded by Measure BB as shown in Figure 5. In addition to the projects funded by Measure BB, the District's current facilities needs assessment has identified an additional \$932 million in future facility needs/improvements.

Figure 5: Measure BB Projects

Facility	Key Project Tasks	Year of Project Completion=Greyout					
		2010	2011	2012	2013	2014	2015
Edison Learning Community	Replacing all existing facilities with new construction. As well as outdoor space improvements.						
Grant Elementary School	New front entry and outdoor space improvements.						
John Adams Middle School	Modernization and new construction of attendance office, four general classrooms, 80's wing outdoor space improvements.						
John Muir Elementary School	New pedestrian gate, communication and safety improvements.						
Juan Cabrillo Elementary School	Install new fence and gate. Reconfigure campus entryway. Secure pay yard for kinder students. Accessible parking and pathway to office.						
Lincoln Middle school	Modernization of library and three classrooms. Building C removal and replacement and outdoor space improvements.						
Malibu Middle and High School	Modernization and new construction that includes a new library, computer labs, science labs and general classrooms and outdoor space improvements.						
McKinney Elementary School	Reconfigure main entrance, office and front entry restrooms and outdoor space improvements.						
Olympic High School	Modernization and new construction including 15 rooms and outdoor space improvements.						
Pont Dume Marine Science School	Replace main gas supply lines and heating units.						
Santa Monica Alternative School House	New gate, new voice communication system and security improvements.						
Santa Monica High School	Remove existing science and technology buildings and replace with one new facility. Outdoor improvements and relocation of softball field.						
Washington Child Development Services	Modernization to include adequate restrooms, technology upgrades, site, and safety improvements.						
Webster Elementary School	Fire alarm, additional fencing. New parking lots and drop zones.						
Will Rogers Learning Community	Installation of new front entry. Reconfigure front office and reception.						

Source: Measure BB Fact Sheets; note there were no projects included in Measure BB for the Franklin or Roosevelt site

Generally, outstanding bonded indebtedness is divided between the newly formed districts based on assessed valuation ratio. Based on this methodology, approximately 31.45% percent of the outstanding bonded indebtedness would be transferred to the Malibu Unified School District and the remaining 68.55% would transfer to the Santa Monica Unified School District. The actual allocation is subject to negotiation. AMPS has indicated they are committed to an equitable resolution of bonded indebtedness.

Other Considerations

Currently the District's District Office, Maintenance and Operation base, and Transportation Yard are located in the city of Santa Monica. Should the reorganization occur, these sites would become the property of the Santa Monica Unified School District. This would require that the Malibu Unified School District find new accommodations for the displaced offices and service bases. Additionally, there are likely other facility needs that will result from programmatic needs related to the reorganization. This issue will be discussed in detail under Criterion 6.

Conclusion

There are no identified reasons to conclude that property will not be divided in an equitable manner should the reorganization be approved. Using ADA as the basis for dividing property seems reasonable and appropriate. However, the districts should use assessed valuation to divide property taxes and potentially outstanding bond indebtedness.

If the reorganization is approved, the Malibu Unified School District will have to address options for housing a District Office, Maintenance and Operations base, and Transportation Yard.

Sources Consulted

- Los Angeles County Assessor's 2011 Report
- Santa Monica Unified School District bond fund report and external audit
- 2011-12 Unaudited Actuals for Santa Monica Unified School District
- 2010-11 External audits for Santa Monica Unified School District
- P-2 Tax Collection and Distribution Report (J-29-B)
- Standard and Poor's Global Credit Portal 2010

Criterion 4: Non-promotion of Racial/Ethnic Discrimination or Segregation

The reorganization of the school districts will not promote racial or ethnic discrimination or segregation.

- *Education Code Section 35753(a)(4)*

To determine whether the new districts will promote racial or ethnic discrimination or segregation, the State Board of Education will consider the effects of the following factors:

- (A) The current number and percentage of pupils in each racial and ethnic group in the affected districts and schools in the affected districts, compared with the number and percentage of pupils in each racial and ethnic group in the affected districts and school if the proposal or petition were approved.
- (B) The trends and rates of present and possible future growth or change in the total population in the districts affected, in each racial and ethnic group within the entire school district, and in each school of the affected districts.
- (C) The school board policies regarding methods of preventing racial and ethnic segregation in the affected districts and the effect of the proposal or petition on any desegregation plan or program of the affected districts, whether voluntary or court ordered, designed to prevent or to alleviate racial or ethnic discrimination or segregation.
- (D) The effect of factors such as distance between schools and attendance centers, terrain and geographic features that may involved safety hazards to pupils, capacity of schools, and related conditions or circumstances that may have an effect on the feasibility of integration of the affected schools.
- (E) The effect of the proposal on the duty of the governing board of each of the affected districts to take steps, insofar as reasonably feasible, to alleviate segregation of minority pupils in schools regardless of its cause.

- *California Code of Regulations, Title 5, Section 18573(4)*

The *SDO Handbook* offers careful instructions for analyzing this criterion. The *SDO Handbook* includes this information as an appendix entitled, "Handbook for Conducting Racial and Ethnic Studies in School Districts," which will be referred to as *The Handbook* for the remainder of this section.

Definitions Outlined in The Handbook

The Handbook defines **promotion of segregation** as a situation in which minority enrollment in a **district or school** changes from "proportionate" to "disproportionate." According to the Handbook, the California Supreme Court's definition of **disproportionate enrollment** indicates that "minority students are isolated and deprived of an integrated educational experience." Typically, 75 percent minority enrollment constitutes disproportionate enrollment. Sixty to 65

percent “may also be considered disproportionate if records over a significant period of time (at least five years) and an assessment of present and future demographic factors indicate the minority percentage has been steadily increasing and will likely continue to do so.” However, the statutes allow for some flexibility in the quantitative application of this criterion, focusing on a before-and-after comparison rather than a strict numeric threshold. In recognition of this lack of clarity, the SBE has been instructed in workshops that they could find violations of this criterion whenever:

1. The minority group percentage in a district or affected schools is more than 50-60 percent as a result of the proposed transfer or reorganization, or becomes more than 50-60 percent as a result of the proposal and is *steadily* increasing; and
2. The trend and rate of minority group increase has been in evidence over a period of at least five years; and
3. The trend will likely continue and become ‘disproportionate’ in five years or less. This determination relies on the use of statistical data and analysis procedures.

- *The Handbook*

The Handbook also defines **minority groups** to include American Indian or Alaskan Native; Asian; Pacific Islander; Filipino; Black, not of Hispanic origin; and Hispanic. For the purposes of applying this criterion, *The Handbook* indicates that all minority students should be combined into one unit to compare the group with a white student group.²

The Handbook references the CDE Intergroup Relations Office’s definition of “integrated educational experience” as a standard for determining under what circumstances segregation may occur.³ Under this definition, segregated schools are “so [quantitatively] disproportionate as realistically to isolate minority students” that minority students do not receive a qualitatively “integrated educational experience.”

Process Outlined in The Handbook

The Handbook also details the process for presenting, summarizing and analyzing the “Findings of Fact” as required in applying the relevant sections of the California Code quoted at the beginning of this section. The following pages present information following this procedure.

² Non-white or minority numbers in this report include students falling in the “Multiple or No Response” category of the CBEDS data.

³ “Integrated educational experience” means the process of education in a racially and ethnically diverse school that has as its goal equal opportunities for participation and achievement among all racial and ethnic groups in the academic program and other activities of the school, together with the development of attitudes, behavior, and friendship based on the recognition of dignity and value in differences as well as similarities. (Definition developed by CDE Intergroup Relations Office)

Findings of Fact

Step 1: Prepare tables and description of racial/ethnic enrollment of—

1. Existing and proposed districts;
2. Affected schools;
3. Adjacent schools in areas of affected districts that could be affected by the proposal;
4. Comparison of *existing* and *proposed* districts and affected schools (i.e., before and after). (At this point of comparison disproportionate differences in minority and racial/ethnic enrollment could indicate a promotion of segregation.)

This step requires consideration of the current and future minority enrollment at the schools involved. This analysis includes all of the schools currently in the Santa Monica-Malibu Unified School District. Furthermore, projections are based on the assumption that the reorganization results in the Malibu Unified School District being comprised of the following schools, Juan Cabrillo Elementary, Point Dume Elementary, Webster Elementary and Malibu High School. The Santa Monica Unified School District would be comprised of the remaining seven elementary schools, two middles schools, one high school, one K-8 alternative school and one continuation school.

Existing Districts: Current Enrollment

As shown in Figure 6, during the 2011-12 school year, approximately 49.4 percent of the District’s students were non-white.

Figure 6: Student Enrollment by Racial Groupings 2011-12

	Non-White Students	White Students
SMMUSD	49.40%	50.60%
SMUSD	55.30%	44.70%
MUSD	21.82%	78.18%

Source: California Department of Education, Dataquest

Affected Schools: Current Enrollment

During the 2011-12 school year, the student population of the schools located within the attendance area of the proposed Malibu Unified School District as shown in Figure 6 was approximately 21.82% non-white compared to the proposed Santa Monica Unified School District’s student population, which was 55.3% non-white.

Proposed Districts: Future Enrollment

The resulting unified districts would each mirror the demographic makeup of the current student population of the schools currently located within their attendance areas. It is important to note that the District does not have an open enrollment policy, thus the student populations of each affected school are not expected to experience any significant changes in demographics as a result of the reorganization.

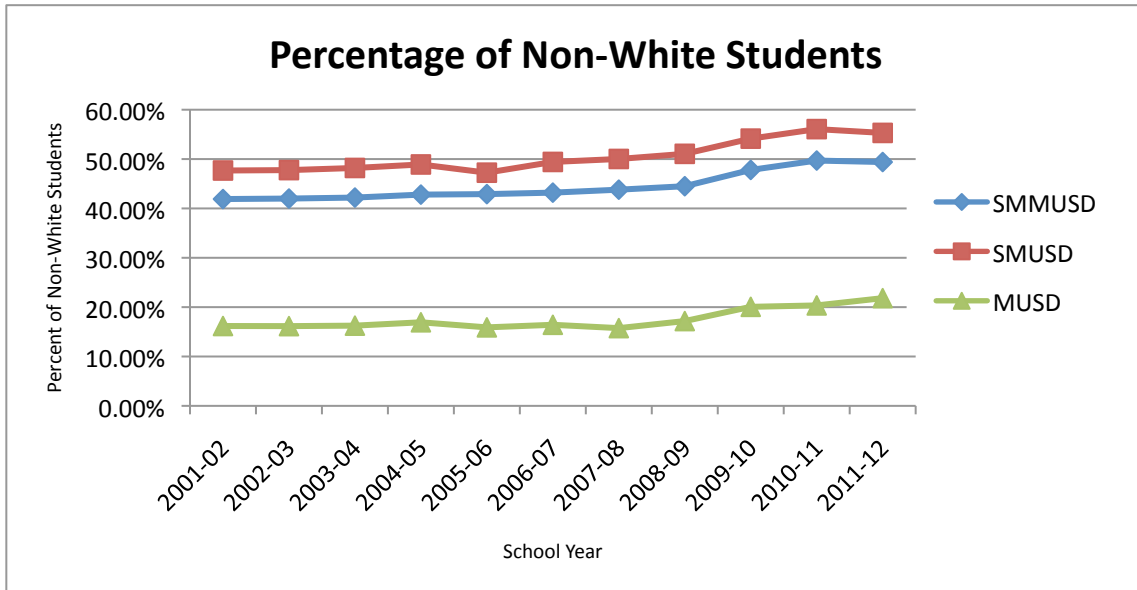
Affected Schools: Future Enrollment

As noted in the above section, the student populations are not expected to change by any significant margin. There might be a slight change in the race/ethnicity based solely on the number of students currently attending schools on intradistrict transfers returning to their attendance area schools.

Step 2: Prepare tables and description of the trends and rates of change in racial/ethnic enrollment and other changes in demographic conditions.

For this step, this analysis includes an examination of historical trends in minority enrollment and the rates of change over time. As shown in Figure 7, non-white enrollment has generally increased over time in the proposed school districts.

Figure 7. Non-White Enrollment By District



Source: California Department of Education, Dataquest

Step 3: Prepare description and assessment of various factors that affect feasibility of integration: distance between schools, safety, capacity of schools, geographic features, etc.

Should the reorganization go forward, two unified school districts would be created. Since each district would have only one high school site, options to integrate students within the district boundaries are limited. Should integration be required, the Santa Monica and Malibu Unified School Districts could adopt an open enrollment policy, or such policies could be implemented with other nearby districts. However, until the new proposed district has elected a school board, no such policy can be established and no such registration option can exist. Since open enrollment agreements cannot exceed five years, any integration plans designed to minimize the impact of the proposal would require ongoing cooperation across district boundaries.

Step 4: Prepare description and assessment of district policies and desegregation programs or plans, voluntary or court ordered.

No districts involved in this proposal have received court orders to desegregate; any current policies were adopted voluntarily. In addition, no districts involved have policies specifically targeted at desegregation, but rather deal with the issue of balanced ethnic enrollment through intra- and inter-district transfer policies.

Step 5: Prepare description and assessment of the duty of affected districts to take reasonable and feasible steps to alleviate segregation.

Based on analysis of the data presented in Steps 1 and 2, minority enrollment in the resulting school districts would not exceed the standards used by the SBE to determine when segregation occurs. However, as described in Step 3, the impacted school districts could pursue open enrollment agreements to address any perceived racial imbalance.

Summary Statement: Findings of Fact and Conclusion

Step 6: Summarize all conditions or changes that would occur if the proposal were approved that would promote segregation, referring only to data or information given in Steps 1 through 5.

Step 7: Prepare a concluding statement to indicate whether the proposal promotes segregation of discrimination.

By quantitative measures, the enrollment of non-white students at the proposed Santa Monica Unified and Malibu Unified School Districts is significantly different. The relevant Ed. Code sections, regulations, and steps outlined in *The Handbook*

permit differences within and between districts. Based on the standards and conditions outlined in *The Handbook*, it does not appear that the non-white population of the resulting Santa Monica Unified School District would exceed the 75 percent mark within the next five years. The population of non-white students, especially Hispanics, will certainly grow, but based on the data described in Steps 1 and 2, it will not grow to such a level as to merit concern about segregation. Therefore, this criterion is met.

Sources Consulted

- California Department of Education, Dataquest (CBEDS)
- California Department of Education, EdData

Criterion 5: No Increase in State Costs

The proposed reorganization will not result in any substantial increase in costs to the state.

- Education Code Section 35753(a)(5)

Description & Findings

Generally, the SBE is concerned that proposals do not increase costs to the state for affected districts by more than ten percent. The factors which should be considered in evaluating this criterion are as follows:

1. The state's portion of the cost of the revenue limit of the district which is losing the students.
2. The state's portion of the cost of the revenue limit of the district which is gaining the students.
3. From the above, whether the state will contribute additional funding for the gaining district's revenue limit.
4. Other state special and categorical programs and the increased cost if students transferring would qualify in the gaining district and not in the losing district.
5. The additional costs to the state if special or categorical program costs per student are higher in the gaining district.
6. The effect on the districts' home-to-school and special education transportation costs and state reimbursement.
7. Additional state costs for school facilities.

Currently, the District is a revenue limit district (i.e. its local property tax revenue does not exceed its state determined revenue limit). However as a result of the reorganization, the proposed Malibu Unified School District would become a Basic Aid District in that its local property tax revenue would exceed its state determined revenue limit, which has two effects: (1) the proposed Malibu Unified School District is able to retain all local property tax revenue in excess of its revenue limit, which significantly increases its per pupil funding; and (2) the resulting loss of the property tax revenue attributed to Malibu would subsequently increase the state aid portion of the proposed Santa Monica Unified District's revenue limit.

Analysis

To address this criterion, this study focuses on three areas:

- Revenue limit changes and impact on basic aid status;
- Special categorical program revenue; and
- Transportation and facility costs.

This analysis assumes that the petition will result in the formation of two unified school districts without open enrollment clauses.

Revenue Limit and Salary Comparison

The revenue limit of a school district quantifies the amount that it receives from state and local resources in the form of general purpose funding. Given that this reorganization does not combine districts, there is no change to the revenue limit amount assigned to each district, nor do the salary adjustments apply in this instance. In other words, given the type of reorganization that would occur, the current per student revenue limit amount would apply to both resulting districts.

However, as noted earlier, the Malibu Unified School District would be considered a basic aid district in that its local property tax revenue would exceed its state determined revenue limit. The transition to basic aid status would result in approximately \$5,800,687 in excess property tax revenue. Based on current information, property tax exceeds the state aid amount by approximately 26%, and it is likely that this level of excess property tax will continue in the future. Local educational agencies that are considered in basic aid status as of the Second Principal Reporting Period are subject to a reduction in state categorical funding in the preceding fiscal year, and this reduction is presumed in the analysis for Malibu Unified School District. The rate of reduction used for the analysis is based on the most current rate of 9.57%, which would result in a \$1,238,610 reduction to the estimated categorical funding for a net increase of approximately \$4,562,077 for Malibu Unified School District.

The reorganization would not change the revenue limit amount per student for Santa Monica Unified, but it would alter the amount of state aid that funds the revenue limit. The increase in state aid for Santa Monica is estimated to be \$5,800,687, which directly offsets a reduction of property tax revenue resulting from the reorganization. It is important to note that the net cost increase to the state would be \$4,562,077 based on the reduction in state categorical funds that would occur as a result of Malibu's basic aid status.

Special Categorical Program Revenue

In general, per pupil funding for most programs will follow the students at the same level regardless of the school district organization of the area. As noted above, Malibu Unified School District would become a basic aid district; and thus, become subject to the reduction in state categorical funds related to basic aid status.

Transportation and Facilities Costs

The petition should have a negligible impact on facility costs. As described in the analysis of Criterion 7, there are no expected school housing costs, aside from one-time moving and possible renovation costs associated with creating a space to house the Malibu District Office. Currently, home-to-school transportation is

provided to the students living in the proposed Malibu attendance area. Students living within the Santa Monica attendance area are not provided home-to-school transportation because the locations of the neighborhood schools are within the approved walking distance of the current District. While the impact on home-to-school transportation costs of any current transportation will be minimal because ridership is not expected to change as a result of the reorganization, it is important to note that the cost would reside with the newly formed Malibu Unified School District. Transportation costs for special education students are not expected to be impacted by the reorganization and the costs would be allocated based upon the student's district of residence.

Conclusion

Based on the above analysis, this study finds that there are no increases in state aid based on the blended revenue or salary and benefit calculations. There would be an increase in state aid as a result of Malibu becoming a basic aid district; the increase is estimated to be approximately of 6.3% based on the undeficit base revenue amount for the former District, which places the cost well below the 10% threshold applied as the standard by the state. Therefore, this criterion is met.

Sources Consulted

- 2011-12 Unaudited Actual Report General Fund Summary Reports
- 2011-12 P-2 and Unaudited Actual K-12 Revenue Limit Reports
- 2011-12 Annual Tax Report from the Los Angeles County Auditor Controller's Office

Criterion 6: No Disruption to Educational Programs or Performance

The proposed reorganization will not significantly disrupt the education programs in the proposed districts and districts affected by the proposed reorganization and will continue or promote sound educational performance in those districts.

- *Education Code Section 35753(a)(6)*

The proposal or petition shall not significantly adversely affect the educational program of districts affected by the proposal or petition. In analyzing the proposal or petition, the California Department of Education shall describe the districtwide programs and the school site programs in schools not a part of the proposal or petition that will be adversely affected by the proposal or petition.

- *California Code of Regulations, Title 5, Section 18573(5)*

Description & Findings

According to the Ed. Code, analysis of this criterion should include academic performance of students at the impacted schools as well as program offerings available to these students. In order to best understand potential future opportunities and performance at the schools, the *SDO Handbook* recommends reviewing past performance and programs and then projecting possible adjustments due to the proposal.

The key areas to explore include academic performance as reflected by standardized test scores and accreditation reports, program offerings at schools within each of the proposed district areas, and shared programs that might be disrupted by a reorganization. Considering that students generally attend neighborhood schools, the proposed reorganization would have limited impact on the general education support provided to students assuming that current staff and curriculum remain similar to that which is currently in place. However, for those programs and opportunities for which there is a significant centralized role in operating and supporting (e.g., special education, English Learner services, alternative education, etc.), the reorganization could have a moderate to significant impact. This section focuses primarily on the impact the proposed reorganization may have on specialized programs and highlights considerations for AMPS and the District as it evaluates the feasibility of a reorganization.

Analysis

The analysis of the above criterion's application to the proposal focuses on the following:

- Academic performance;
- Advanced Placement/Honors course offerings and success rates;

- Special needs programs, including special education, courses for English Language Learners (ELL students), and alternative education; and
- Other opportunities and challenges presented by the proposal.

Academic Performance

Academic performance can be reported in several ways. Each year, the California Department of Education calculates and reports an Academic Performance Index (API) score for all schools where over 85 percent of students have taken the state’s Standardized Testing and Reporting (STAR) standardized achievement tests. Overall academic performance of students attending the District is above state and county averages. The District’s overall API score for 2011 of 855 places it among the top tier of performers in the state. As shown in Figure 8, the level of performance is fairly consistent between all schools within the District. Performance of students classified as English Learners and Students with Disabilities lags that of their peers, but is consistent with trends observed statewide.

Figure 8. Academic Performance

School	API (2011)	% Proficient/ Advanced English-Language Arts (2011)		
		All Students	English Learners	Students with Disabilities
Proposed Malibu District				
<i>Cabrillo Elementary</i>	884	74.7%	60.9%	44.0%
<i>Point Dume Elementary</i>	926	82.4%	N/A	56.2%
<i>Webster Elementary</i>	949	87.7%	61.5%	70.0%
<i>Malibu High</i>	862	79.2%	44.3%	39.5%
Remaining Santa Monica District				
<i>Edison Elementary</i>	882	71.8%	57.5%	46.9%
<i>Franklin Elementary</i>	957	88.4%	85.7%	76.7%
<i>Grant Elementary</i>	899	77.1%	33.3%	48.9%
<i>John Muir Elementary</i>	812	57.0%	32.0%	25.0%
<i>McKinley Elementary</i>	893	75.5%	68.9%	42.3%
<i>Roosevelt Elementary</i>	944	84.9%	83.3%	56.1%
<i>Will Rogers Elementary</i>	828	59.3%	46.2%	42.9%
<i>John Adams Middle</i>	813	63.6%	47.6%	35.4%
<i>Lincoln Middle</i>	902	83.1%	69.4%	50.5%
<i>Santa Monica High</i>	805	76.8%	44.3%	19.4%

Source: California Department of Education, DataQuest - 2010, 2011

Other ways to measure performance include examination of Scholastic Aptitude Test (SAT) data. This data is typically available for students preparing to enter college. As shown in Figure 9, students who took the SAT performed fairly evenly over time at both high schools, with both groups consistently scoring above national and state averages.

Figure 9. Scholastic Aptitude Test Performance, 2008-2010

		Malibu High	Santa Monica	CA
2010	Reading	548	526	495
	Math	552	545	513
	Writing	556	538	494
2009	Reading	547	545	501
	Math	561	559	520
	Writing	557	559	500
2008	Reading	552	534	495
	Math	569	547	513
	Writing	566	544	494

Source: California Department of Education, DataQuest

Schools within the Malibu and Santa Monica areas show proof of solid educational programs. Students perform well on standardized tests, participate and achieve at high levels on Advanced Placement courses and tests, and score well on the SAT when compared with national and state averages. Furthermore, the achievement and outcomes results are fairly comparable, with slightly higher results at schools within the Malibu area, between the two areas. For this reason, we anticipate that a reorganization would not negatively impact students' educational performance, presuming that programs remain comparable. While responses to the proposed reorganization cannot be predicted, nor can the impact of such responses, this report does not find any violations of the criterion when considering core educational performance alone.

Advanced Placement/Honors Programs

Participation and success in Honors or Advanced Placement (AP) classes provides another basis for comparing educational programs at the two comprehensive high schools.⁴

Both Malibu High and Santa Monica High offer a wide range of honors and AP classes in English, math, science, social science, foreign language and the arts. While Santa Monica High has far more students in grades 9 through 12 than Malibu High, participation levels in the AP courses and the AP test process are comparable. See Figure 10. Notably, compared to the statewide AP test passage rate of 58.2%, both Malibu High and Santa Monica High have significantly higher AP test passage rates.

⁴ Advanced Placement (AP) programs, administered by The College Board, allow high school students to take college-level classes at their high schools and then opt out of similar classes in college by passing the AP exams.

Figure 10. Advanced Placement (AP) Test Participation and Performance, 2010-11

	Malibu High	Santa Monica High
Number of Exam Takers	222	962
Passage Rate (Score of 3, 4, or 5)	71.4%	72.6%

Source: California Department of Education

It is difficult to predict what impact the reorganization would have on the availability of AP courses; but if current programs continue, both high schools will offer a variety of AP courses.

Special Programs

School districts are responsible for teaching every student within their boundaries, with few exceptions. In order to do so, they must provide special programs for students with physical, mental and learning disabilities; English Language Learners (EL students); gifted and talented students; and students otherwise unable to succeed in the traditional school setting without additional counseling, assistance, and opportunities. The District currently meets the needs of all such students. However, as noted earlier, the current approach includes a moderate to significant centralized support function. As a result, the proposed reorganization would require the newly formed Malibu school district to address how it will develop programs of support for such students as in most cases. At this time, AMPS has indicated that under the proposed reorganization, it is the intention to, at a minimum, maintain programs of support for ELs, GATE, and students with disabilities. A further consideration for AMPS and the District is whether or not similar or comparable programs can continue to be offered with smaller subsets of students and what, if any, financial impact there is to the change in program scale.

Special Education

The District is currently a member of the Tri-City Special Education Local Planning Area (SELPA), which also includes Culver City Unified and Beverly Hills Unified School Districts. Under the proposed reorganization, the newly formed Malibu district would be presented with the option to either become a member of the existing SELPA or seek membership in another SELPA. However, the newly formed Malibu district must address how it will provide services to students who currently attend a school that post-reorganization would be in Santa Monica district. For instance, this would include preschool students who are enrolled in the severe autism preschool program located in Santa Monica. Similarly, for those students who live within the Santa Monica attendance area that currently attend Malibu High, in order to access a smaller school community as an accommodation to meet a special need (e.g., anxiety disorder, school phobia, etc.), an alternative placement or interdistrict transfer option would be necessary.

English Language Learners

In 2010-11, there were approximately 1,104 students, or 9.5% of all students, classified as English Language Learner, or EL student. There are significant variations in the number and density of ELs within the District's schools. Under the proposed reorganization, approximately 10.7% of the students attending the Santa Monica district area would be ELs compared to 4.0% in the proposed Malibu district area. While the reorganization would have little to no impact on the distribution of EL students, there could be some impact on the approach taken to address the needs of such students. Given the small numbers of ELs at some schools, it can be challenging to design a program of support. Under the current model of support, there are centralized supports, such as a Bilingual Community Liaison Program and EL professional development, which benefit all schools, including those with small number of ELs. There are well document and highly effective models for addressing the needs of small and dispersed EL populations. Selecting and implementing such a model would be necessary to offer required services for this population.

Alternative Schools

The District currently operates one continuation high school (Olympic) and one alternative K-8 school (Santa Monica Alternative). Both programs are on campuses within the area that would become the Santa Monica district area. As a result, it would be necessary for the Malibu district area to create options for students requiring alternative education placements. Given the small numbers of students likely to be served by such programs, it may be most cost-effective to develop an inter-district agreement to provide such support. However, if such an agreement cannot be developed, or there is a strong preference to operate such programs within the newly formed district, there are several operating considerations, including identifying space within an existing facility where programs can be offered in a self-contained manner, cost-effective staffing, and selecting and implementing an effective program of support.

Conclusion

The proposed reorganization would not result in shifting of programs or necessarily require restructuring of existing program offerings within schools. It is difficult to predict other impacts reorganization could have upon instructional quality and student outcomes. Such impacts would largely result from administrative decisions, and not from the reorganization itself. However, there are several areas where services and programs have been centralized; and for this criterion to be adequately addressed, clear plans for how such services would be offered to address student needs would be required. Among the services that should be included in such a plan are special education, EL support services, and alternative education options. These are important considerations, which should be addressed – especially the provision of an alternative education option for students in the Malibu district area.

This study finds that if provisions are made to ensure that all students' learning needs are met, then this criterion is substantially met. More specifically, meeting the criterion is conditional on the proposed Malibu district area providing sufficient opportunities for special education, ELs, and alternative education.

Sources Consulted

- California Department of Education online databases (Dataquest, EdData, etc.)
- Santa Monica-Malibu Unified School District administration officials
- AMPS representative

Criterion 7: No Increase in School Housing Costs

The proposed reorganization will not result in a significant increase in school housing costs.

- Education Code Section 35753(a)(7)

Description & Findings

This criterion was designed to prevent school districts from reorganizing with the purpose of creating a need for new school facilities. For instance, if a school district of several schools were able to accommodate all of its students with existing facilities, Ed. Code 35753(7) would prevent it from reorganizing a portion of its territory for the sole purpose of needing another school. The proposed reorganization would result in the transfer of the following school sites: Webster Elementary, Cabrillo Elementary, Point Dume Marine Science Elementary, and Malibu High School to the Malibu Unified School District. The Santa Monica Unified School District would be comprised of the remaining seven elementary schools, two middle schools, one high school, one K-8 alternative school, and one continuation school.

Analysis

The proposed reorganization would have limited impact on the facilities and enrollment at the elementary, middle schools and high schools in the existing attendance areas for either Malibu or Santa Monica. Figure 11 summarizes the 2011-12 enrollments at each of the schools and the estimated capacity for each site.

Figure 11. Enrollment and Capacity by Site 2011-12

Site	Enrollment	Capacity *
Edison Elementary School	453	600
Franklin Elementary School	767	972
Grant Elementary School	623	918
John Muir Elementary/SMASH	539	500
Juan Cabrillo Elementary School	256	567
McKinley Elementary School	460	756
Rogers Elementary School	489	918
Roosevelt Elementary School	794	1,107
Webster Elementary School	340	567
Point Dume Elementary School	257	540
John Adams Middle School	1,054	1,296
Lincoln Middle School	1,058	1,242
Malibu High School	1,168	1,674
Olympic High School	103	250
Santa Monica High School	3,069	3,600

*Capacity based on a 27 student per classroom load
Source: Dataquest and District data

Currently the Malibu High site can serve approximately 1,674 students and Santa Monica High site can serve approximately 3,600 students. Based on the information in Figure 11, it appears that there would be some surplus space at Malibu High that could potentially house additional alternative education programs such as Continuation or Opportunity, now and in the future. However, there may be a need to reconfigure accommodations for alternative high school programs based on current classroom usage at Malibu High. Furthermore, each district would have sufficient space to provide educational services to the students currently attending their elementary sites and middle school sites.

Conclusion

The above data indicates that the proposed Malibu Unified School District and resulting Santa Monica Unified School district will have adequate facilities to accommodate all of their students and educational programs for the foreseeable future, should the proposed reorganization occur. However, Malibu Unified School District will need to configure adequate accommodations for their alternative high school programs. With this condition in mind, the study finds that there would be no substantial increase in school housing costs should the reorganization occur. Therefore, this criterion is met.

Sources Consulted

- CDE Dataquest 2011-12 enrollments by site
- District provided capacity data

Criterion 8: Not Designed to Increase Property Values

The proposed reorganization is not primarily designed to result in a significant increase in property values causing financial advantage to property owners because territory was transferred from one school district to an adjoining district.

- Education Code Section 35753(a)(8)

Description

This criterion deals not with outcomes, but rather with intent. While property values may fluctuate after school district reorganization, analysis of a proposal must focus on the intent of the petitioners.

Analysis

In both Malibu and Santa Monica, where the median home value far exceeds that of the state average, it can be generally agreed-upon that there is more than likely a shortage of affordable housing. Santa Monica has an extremely high population density of approximately 10,893 people/square mile, made possible because the majority of its housing is multi-family developments. In contrast, Malibu has a low population density, 119 people/square mile, and the majority of its housing is single family dwellings.

While there are certainly areas of contrast between the two cities as noted above, because the attendance areas for the proposed districts are not changing from those currently in place, it can be argued that property values will not experience any significant changes as a result of the reorganization. Moreover, in a case such as this, when school quality is arguably consistent across both attendance areas, concerns regarding this criterion are minimal.

Our analysis did not reveal that property value is factor that is driving the interest in the proposed reorganization effort. Onlookers have no reason to presume the petitioners' aim in reorganization is to increase their property values.

Conclusion

This study finds no evidence that property values would increase as a result of the proposed reorganization. This study also finds no indication that the petitioners aim to increase property values through this proposal. Therefore, this report concludes that this criterion is substantially met.

Sources Consulted

- City-Data
- Local real estate data

Criterion 9: No Substantial Negative Impact on District Fiscal Management or Status

The proposed reorganization will not have a substantial adverse effect on the fiscal management or fiscal status of the proposed district or any existing district affected by the proposed reorganization.

- Education Code Section 35753(a)(9)

Each district affected will be adequate in terms of financial ability if:

- (a) The revenue limit per unit of average daily attendance of the proposed district does not vary from the revenue limit per unit of average daily attendance in all of the affected districts by more than 15 percent, or
- (b) The proposal does not increase costs to the State for the affected territory by more than 10 percent.

- CCR, Title 5, Section 18573(a)(2)

Description

In addition to Ed. Code Section 35753(a)(9) and CCR, Title 5, Section 18573(a)(2), the State Board of Education recommends that Ed. Code Section 33127, the State Standards and Criteria, be used to evaluate the financial condition of school districts affected by proposed reorganizations. Three basic criteria are used for these State Standards and Criteria to determine the district's solvency:

- (1) Cash position at the end of the year.
- (2) Fund Balance position at the end of the year.
- (3) Three-year projection of fund balance.

To comply with these criteria, an initial budget is projected for the new districts based on 2011-12 financial information. This projected budget directly addresses the year-end fund balance position and assumes a similar impact on the cash position. This study does not attempt to project a three-year fund balance because it is expected that subsequent years will follow a similar fiscal trend to the initial year.

At the time this study was initiated, the District had in place contingency plans should the November 2012 tax measures fail. Due to the successful passage of Proposition 30, no further cuts are expected in 2012-13, but the District continues to work to bring its budget into balance.

Analysis

The 2011-12 Unaudited Actuals reflect a positive ending balance for the combined general fund (restricted and unrestricted funds). It is important to note

that while the reserve level for the combined general fund is 17%, the general fund has a structural deficit spent of approximately \$2.8 million dollars in 2011-12. As noted in the paragraph above, the District is continuing to work on bringing its budget into balance. Our analysis includes the deficit in both the baseline and post-reorganization calculations. If the deficit were to be reduced or eliminated, the net change in fund balance would improve in direct relationship to the budget reductions. Figure 12 provides a summary of the 2011-12 revenue and expenditures for the District.

Figure 12. Summary of Baseline Financial Data (2011-12 Restricted and Unrestricted Sources)

Santa Monica-Malibu Unified School District	
Revenues	
Revenue Limit (including add-ons)	\$ 57,786,231
Prior year *	\$ -
Federal Revenue	\$ 5,577,472
Other State Revenue	\$ 10,204,156
Other Local Revenue	\$ 41,075,170
Other Financing Sources	\$ 1,560,873
TOTAL REVENUES	\$ 116,203,902
Expenditures	
Certificated Salaries	\$ 54,731,938
Classified Salaries	\$ 22,479,449
Employee Benefits	\$ 25,115,709
Books and Supplies	\$ 3,289,462
Services and Contracts	\$ 13,272,724
Capital Outlay	\$ 564,392
Transfers and Other Outgo	\$ (438,372)
TOTAL EXPENDITURES	\$ 119,015,302
Net Change in Fund Balance	\$ (2,811,400)
Beginning Fund Balance	\$ 23,354,108
Ending Fund Balance	\$ 20,542,708
Percent Reserve	17%

Source: 2011-12 Unaudited Actuals

Criterion 5 of this report detailed changes in revenue limits for the proposed reorganization. Generally, two primary areas of expenditures for proposed reorganizations include potential costs for leveling up salaries and one-time start up costs. The expenditure areas that will increase for Malibu will primarily be in response to the costs of developing programs to meet the needs of ELs, students with disabilities, and alternative education options; home-to-school transportation; central administrative staff; and establishing facilities and infrastructure for a district office, maintenance, and transportation yard. The transition to basic aid status increases per-ADA funding for Malibu and will likely provide an offset to the costs associated with the expenses outlined above.

The only potential “new” funding resulting from district reorganization is the salary add-on adjustment. This calculation is meant to approximate the costs of leveling up salaries but does not necessarily reflect the actual costs. Based on the analysis presented in Criterion 5, there are no adjustments for blended revenue limits or for salary schedule leveling because currently all employees are on the same salary schedules. It is important to note that while there is no adjustment for leveling salary and benefits, there is the potential for costs associated with contract negotiations for both districts post reorganization. Appendix A includes an excerpt from *The Handbook* that explains the legal rights of employees under reorganization.

As noted under the analysis in Criterion 5, Malibu Unified School District would be considered a basic aid district in that its local property tax revenue would exceed its state determined revenue limit. The transition to basic aid status would result in approximately \$5,800,687 in excess property tax revenue, which would be offset by a reduction in its categorical funding of approximately \$1,238,610, resulting in a net increase of approximately \$4,562,077. Santa Monica would not receive any “new” or additional revenue as a result of the reorganization.

The financial viability of the newly formed Malibu Unified and Santa Monica Unified School Districts following reorganization would be largely dependent upon management decisions. The analysis in Figure 13 assumes that existing cost of district office infrastructure is divided proportionally based on the number of students in each district. Given the current district office infrastructure supported by the Santa Monica-Malibu school district, which includes a wide array of centralized supports, the proposed reorganization would require careful evaluation and likely difficult decisions to scale-back existing support. With this in mind, AMPS has indicated that they are committed to reaching resolution for efficacy in district office level staffing. In addition, the financial information presented in Figure 13 does not include any changes to the costs associated with salary and benefits. However, it is important to note that there could be potential adjustments to salary schedules, but any changes would be subject to negotiations between the schools’ boards elected following a decision to reorganize with newly established collective bargaining units. In addition, this analysis assumes a pro rata split of salary and benefit costs. Actual salary and benefit costs post reorganization will likely be different based on final staffing decisions.

The management of the newly formed Malibu Unified would also need to consider the costs of operating all the programs noted in Criterion 6. In addition, both districts would need to evaluate the viability of existing programs taking into account funding availability, student interest, and staff support.

In addition to potential long-term costs for both new districts such as changes to salary schedules, Malibu will incur on costs associated with adding staff to handle central administrative and programmatic needs as well as costs for

maintaining current home to school transportation services for its students. There are also several one-time, or limited term costs, for Malibu Unified that would be necessary as a result of the reorganization. Such costs would include the need to have facilities for a district office, maintenance and transportation. A likely funding source for such expenditures would be the ending fund balance/reserves.

Figure 13. Financial Summary - Post-Reorganization (2011-12 Restricted and Unrestricted Sources)

2011-12 Unaudited Actuals	Malibu	Santa Monica
Revenues		
Revenue Limit (including add-ons)	\$ 10,267,046	\$ 48,413,387
Excess Property Tax	\$ 5,800,687	
Basic Aid Reduction Categorical	\$ (1,238,610)	
Federal Revenue	\$ 991,117	\$ 4,586,355
Other State Revenue	\$ 1,813,279	\$ 8,390,877
Other Local Revenue	\$ 5,391,028	\$ 35,684,079
Other Financing Sources	\$ 277,367	\$ 1,283,506
TOTAL REVENUES	\$ 23,301,913	\$ 97,464,003
Expenditures		
Certificated Salaries	\$ 9,725,865	\$ 45,006,073
Classified Salaries	\$ 3,994,598	\$ 18,484,851
Employee Benefits	\$ 4,463,061	\$ 20,652,648
Books and Supplies	\$ 584,537	\$ 2,704,925
Services and Contracts	\$ 2,358,563	\$ 10,914,161
Capital Outlay	\$ 100,292	\$ 464,100
Transfers and Other Outgo	\$ (77,899)	\$ (360,473)
TOTAL EXPENDITURES	\$ 21,149,017	\$ 97,866,285
Net Change in Fund Balance	\$ 2,152,894*	\$ (402,280)*
Beginning Fund Balance	\$ 4,150,025	\$ 19,204,083
Ending Fund Balance	\$ 6,302,919	\$ 18,801,803
Percent Reserve	30%	19%

The data reflected in Figure 13, includes the following assumption for revenue:

- Excess Property Taxes for Malibu
- Reduction in categorical aid for Malibu due to basic aid status
- Proceeds from the Measure R parcel tax are split between the districts based on parcel counts.
- Local revenue from lease agreements for school property located in Santa Monica remains as Santa Monica revenue
- The revenue associated with agreements with the City of Santa Monica remains with Santa Monica

The expenditure data in Figure 13 includes the following assumptions:

- Structural imbalance of \$2.8 million split on a pro-rata basis
- Expenditures are split on an ADA-basis

It is important to note that the sum of the ending fund balances (EFB) reflected in Figure 13 is greater than the EFB reflected in Figure 12. This is due to the increase in revenues as a result in Malibu becoming a basic aid district.

* If the structural imbalance between revenue and expenditures was eliminated the net change in ending fund balances would be approximately \$2.6 million for Malibu and \$1.9 for Santa Monica.

Source: 2011-12 Unaudited Actuals and District provided documents

Other Factors

The voters of Santa Monica and Malibu approved Measure R parcel tax in February of 2008. Measure R replaced prior parcel tax measures Measure Y and Measure A and at the time of approval had a maximum rate of \$346, which can be adjusted annually by the Consumer Price Index-Al Urban Consumers(CPI-U). There is no expiration on the Measure R parcel tax. Although Figure 13 assumes that the proceeds of Measure R would be split based on parcel counts, the scope of this report does not offer a qualified opinion on the legality of the split. While Education Code 35560 does address the allocation of funds, property and qualified special taxes, it does not explicitly address how to treat a parcel tax given the circumstances of the proposed reorganization, nor is there known precedent that can be followed. The continuation of the Measure R parcel tax is critical to deem the reorganization viable. For this reason, we recommend that legal counsel be consulted; and if necessary, special legislation be considered to delineate conditions for preserving the Measure R parcel tax revenue for the resulting districts.

Conclusion

Based on 2011-12 Unaudited Actuals, the financial condition of the impacted school districts appears to be financially feasible. It is important to note that this analysis assumes that the parcel tax proceeds are split based on parcel counts. Any changes to this assumption would require adjustments to the analysis provided in this report. The management of each district will need to be mindful that staffing and programmatic decisions and contract negotiations will need to maximize organizational efficiencies and maintain fiscal solvency in order to optimize the educational opportunities for its students.

Sources Consulted

- 2011-12 Unaudited Actuals General Fund Summary Reports
- 2011-12 Unaudited Actuals K-12 Revenue Limit Reports
- CDE P-2 data
- District provided documents

Appendix A

Rights of Employees Under Reorganization

The following information is an excerpt from Chapter 9 of the California Department of Education District Organization Handbook, July 2010 pages 157-160

According to the Handbook, Classified Employees are affected in the following manner after reorganization.

Any reorganization of a school district shall not affect the rights of persons employed in positions *not* requiring certification to retain the salary, leaves, and other benefits that they would have enjoyed, had the reorganization not occurred. (*EC 35556, 45121*)

In reorganization, the following general rules apply:

- An employee of an original district that is included in a new district shall become an employee of the new district. (*EC 35556[a]*)
- Employees of a district regularly assigned to the territory being lost to another district shall become employees of the new district. Those whose assignments pertain to that territory, but who are not actually sited there, may elect to either remain with the original district or become employees of the new district. (*EC 35556[b]*)
- If a district's territory is completely absorbed into two or more districts, regular employees will become employees of the district acquiring the respective territory. Employees not assigned to specific territory within the original district will join the district of their choice. (*EC 35556[d]*)
- Employees regularly assigned to a particular school shall be employees of the district in which the school is located unless the employee elects to remain with the original district. (*EC 35556[e]*) Certain conditions apply to the employee's ability to remain with the original district. (*EC 35556[c]*), 44035]
- In a new unified district, *noncertificated* employees shall continue in employment for not less than two years. (*EC 45121*)
- As used in this section and in the subsequent section on certificated employees, "the school or other place in which any such employee is employed" and all references thereto, includes but is not limited to, the school services or school program that as a result of any reorganization of a school district will be provided by another district, regardless of whether

any particular building or buildings in which such schoolwork or school program was conducted is physically located in the new district, and regardless of whether any new district resulting from such reorganization elects to provide for the education of its pupils by contracting with another school district until such time as the new district constructs its own facilities.

- Except as stipulated earlier, nothing in the above section shall deprive the governing board of the acquiring district from making reasonable assignments of duties.

According to the Handbook, Certificated Employees are affected in the following manner after reorganization.

The reorganization of school districts shall not affect the classification of certificated employees already employed by any affected school district. (*EC 35555*) The new district shall offer employment as follows:

- Permanent employees assigned to a building located within the new district shall remain at the school or facility to which they had been previously assigned, unless they elect to remain with the original district. (*EC 35555, 44035*)
- Probationary employees assigned to a building located within the new district shall be employed by the new district unless the probationary employee is terminated by such a district prior to May 15. If employment continues, the probationary status shall remain unchanged. (*EC 44803, 44949, 44955*)
- Permanent employees must select the district in which they choose to work before February 1 of the year in which the reorganization becomes effective for all purposes. The request may be made to either the board of the new district or the board of the original district. (*EC 35555*)
- If permanent employees elect to stay with the remainder of the original district in such numbers that the district does not have sufficient positions to accommodate all the employees, then the surplus employees may be dismissed in reverse order of their seniority. (*EC 44955*)
- Should the anticipated attrition of staff in the original district be approximately offset by the decline in enrollment in that district, including the loss of transferred students, this aspect may be used to diminish the number of offers of employment extended by the receiving district. (*EC 44955*)

According to the Handbook, salaries after reorganization are handled in the following manner.

The power to determine employees' salaries resides with the governing board of a school district. The board must determine the salary policy of a newly created district. (*EC 45022, 45160*)

Nonunified District

- The *Education Code* provides for the creation of a revenue limit that may equalize the differences between high salaried districts and lower salaried districts. (*EC 35730 et seq.*) The new board may or may not adopt a salary schedule equal to or better than the best salary schedule of the original districts. All employees are entitled to transfer to the new district the benefits they accrued prior to reorganization. (*EC 44976, 44984*)

Unified District

- The board of a new unified district may or may not adopt a salary schedule equal to or better than the best salary schedule of the original districts. The board has the power to increase or decrease salaries, and the new board could establish a lower salary schedule for teachers, thus decreasing their salaries. However, all noncertificated personnel must receive, for a period of two years, salaries, and benefits equal to those existing at the time of the election. (*EC 45022, 45121, 45160*) In summary, a new unified school board may reduce certificated employees' salaries but may not reduce noncertificated employees' salaries.

Other areas covered under this section are:

Adoption of Merit System: for reorganizations other than unifications, the governing board of the acquiring or new district must—if a majority of the classified employees voting on the adoption of a merit system approve—adopt the merit system that had been adopted in the school district territory it acquired. For unifications, the governing board must employ classified employees in accordance with the system specified in Chapter 5, Article 6 (commencing with *EC Section 45240*) if an affected district had a merit system and a majority of the classified employees voting approve. In both cases, governing boards must adopt a merit system if the reorganized district contains all or part of the territory of two or more districts that had merit systems. Governing boards also have the option of adopting a merit system if the classified employees do not request an election and the number of classified employees from a former merit system district exceeds the number of employees from the acquiring nonmerit system district. (*EC 45119, 45120*).

Role of Public Employment Relations Board (PERB).

PERB has jurisdiction over employer-employee relations matters affecting all school districts. School districts and exclusive bargaining representatives for employees should be advised to contact PERB to determine whether employee unions in the former district(s) may continue to represent the new district's employees and to determine the future validity of existing collective bargaining agreements.

Statutory provisions relating to the PERB's formation, its powers and duties, and procedures for handling charges of unfair labor practices are found in *Government Code* sections 3541–3541.5.

Exemption from FICA for Pre-1986 Employee Wages

Wages of public employees hired prior to April 1, 1986, are not subject to the *Federal Insurance Contributions Act* (FICA) as long as the employee is continuously employed by the public agency. There is no definitive answer to the question of whether or not a school district unification results in a change of employer, thus breaking the continuous employment requirement for FICA exemption and causing employee wages to be subject to FICA. On one hand, a number of employees could have a new employer after a successful unification. On the other hand, the *Education Code* guarantees employees that there will be no change in their rights, status, or classification.

In the past, districts have received private letter rulings from the Internal Revenue Service (IRS) stating that unification of the districts does not violate the continuous employment requirement for FICA. It is recommended that districts, after unification, consult with legal counsel or IRS for a similar determination.

MEMORANDUM

Date: November 12, 2013

To: Craig Foster, Advocates for Malibu Public Schools (AMPS)

From: Jannelle Kubinec, WestEd

RE: Reorganization Research Findings

At the request of the Advocates for Malibu Public Schools (AMPS), in the Fall of 2012 WestEd completed a feasibility review for a proposal to create two separate districts from the current Santa Monica-Malibu Unified School District (District). This review evaluated the proposed reorganization based on the fiscal and programmatic standards outlined in the California Education Code. This study raised several considerations for AMPS, the current District, and community stakeholders. At the request of AMPS, WestEd has conducted further research and analysis to address the following areas of interest:

- 1) **Bonded Indebtedness:** What options are there for distributing the District's current bonded indebtedness between the newly formed districts should a reorganization proceed? What, if any precedent exists for such options?
- 2) **Parcel Tax:** Given the District's unique parcel tax measure, what options exist for retaining the existing parcel tax and what would be required (e.g., time, effort, and cost) to pursue such options?
- 3) **Employment Rights and Collective Bargaining.** If the proposed reorganization were to occur, what specific protections and options are available to employees (e.g., rights of employment, length of protection, compensation levels, collective bargaining authority)? What precedent exists for such options?
- 4) **Other Implementation Guidance.** What other issues are essential to address in planning a successful reorganization process?

Based on the analysis completed to address the above questions, a viable pathway exists for pursuing the proposed reorganization while protecting the financial interests of the existing and proposed districts and employee groups. Following is an indepth explanation of findings and suggested action steps.

FINDINGS

To address the above questions, WestEd has conducted interviews with educational consultants from the California Department of Education and Madera County Office of Education, and analyzed data and other documents provided by AMPS.

The type of reorganization proposed by AMPS presents a unique situation. In recent history most district reorganizations resulted in an *existing* district changing boundaries, unifying by

combining or transferring school(s), or transferring territory. The reorganization to create a Malibu district would result in the creation of a *new* school district. According to the California Department of Education the most recent example of this type of reorganization is the creation of Golden Valley (Madera County) approximately 15 years ago. Golden Valley provides an example of a new district formation and may be instructive to demonstrate options for successfully attending to employee group interests, bond management, and starting-up a new district. Several of the issues present in the potential Malibu district formation were present in the formation of Golden Valley.

The petition to create the Golden Valley School District was approved by the local county committee on district organization in August 1997 and approved by the State Board of Education in December 1997. The petition was brought to voters with potential Governing Board candidates in July of 1998 and the new district became operational July 1, 1999. The election resulted in approval of the petition and selection of Governing Board members. The Madera County Office of Education provided administrative and technical assistance to the new Golden Valley School District Governing Board to hire a Superintendent and apply for a state start-up loan to support the process of putting the necessary district infrastructure in place prior to serving students.

Soon after the new district was formed teachers were notified that they could elect to remain employees of Madera Unified School District (original district) or become employees of the newly formed Golden Valley School District per the provisions included in Education Code Section 35555. Most employees stayed at the sites where they were teaching. During the new district start-up period (July 1998 to June 1999) they remained employees of the Madera Unified School District, but once the start-up period was completed they became employees of the Golden Valley District. Teachers in the new district received support from their regional California Teacher Association representative to assist with organizing and negotiations prior to July 1, 1999 (operational date of new district). There were no reported issues with the process and by all accounts teachers and the community were pleased with the outcome. The Golden Valley example demonstrates that while reorganizations are inherently complex that it is possible to achieve a result that satisfies the many interests and needs in the communities where they occur.

Following are the key findings for each of the questions.

1) <i>Bonded Indebtedness:</i> What options are there for distributing the district's current bonded indebtedness between the newly formed Districts should a reorganization proceed? What, if any precedent exists for such options?
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To date two interpretations have been rendered¹ regarding the method for distributing bonded indebtedness. To help guide further discussion in this area, given the stark differences in legal opinions, WestEd consulted the California Department of Education (CDE), which verified the opinion received from AMPS by its legal counsel. Specifically, CDE shared that in

¹ The Los Angeles County Office of Education presented information regarding distribution of bonded indebtedness, which offered a different interpretation than that offered by WestEd (see Fall 2012 report) and AMPS legal counsel.

reorganizations where outstanding bonded indebtedness exists Education Code Sections 35576 and 35738 clearly identify options for distributing such debt. Commonly allowed and applied methods include distributing outstanding debt based on the assessed valuation ratios between the districts post-reorganization or the amount spent on facilities. Other allowable methods include student counts or “other matters which the petitioners or county committee deems pertinent.”

A related question that may be of interest is how would outstanding bond authority (from the existing Santa Monica-Malibu Unified School District’s unexpended, but approved bond) be treated should the reorganization occur. The Education Code is silent on this issue, but does suggest among the criteria for evaluating the feasibility of a proposed reorganization that a reorganization does not adversely affect the bonding capacity of the local educational agencies. Furthermore, the treatment of division of bonded indebtedness would directly affect the remaining bond authority available to the districts post reorganization. Based on the research conducted an approach to consider as a means to retain available bond authority would be to reference within the petition for reorganization parameters for retention and division of the outstanding bond authority between the newly created Malibu district and remaining Santa Monica district. Given the lack of guidance in the Education Code, we advised AMPS consult legal counsel.

To the question of whether the petition could be used to specify a distribution of existing bonded indebtedness, AMPS legal counsel offered the following opinion:

Almost certainly. The Education Code does not specifically address including such a provision in the original petition for reorganization initiated by the electorate. On the other hand, it strongly implies that this is permissible. The Education Code specifically provides in Article 3 (commencing with Section 35730), that the Plans and Recommendations of the county committee for the reorganization of a school district may include "a method of dividing the bonded indebtedness ." that may be different from that provided by the Code in Section 35576. (§ 35738.) It appears that this is the provision under which the Madera County Committee included stipulations for the division of bonded indebtedness in the Plans and Recommendations for the reorganization.

Hence, while the Education Code does not specifically address including a provision for the division of bonded indebtedness in the original petition initiated by the electorate, the Code strongly implies that this is permissible.

With regards to whether the petition could be drafted to retain and split existing bonding authority, AMPS legal counsel noted that:

This scenario is not addressed in the Code. Interestingly, the Code addresses two different, but similar scenarios with the result that the authorization to issue bonds is divided. Section 35577 concerns the division of a district between two or more other districts so that the existing district "ceases to exist". In these circumstances the Code provides that "the board of supervisors shall, . . . make and enter an order in the minutes of its proceedings that the authorization to issue the unsold bonds be divided between the districts in the ratio which the assessed valuation of the territory transferred to the districts bears to the total assessed valuation of the former district. The bonds, if issued

by any new district, shall be considered a liability of the new district for purposes of computing the bonding capacity of the new district when applying the State School Building Aid Law of 1952, Chapter 8 (commencing with Section 16000) of Part 10."

The second scenario addressed by the Code in Section 35578 is when a district is included "as a whole" in a new school district. In such a case, the unsold bonds "may be issued by the board of supervisors in the name of the new district and the proceeds derived upon the sale thereof shall be the funds of the new district. However, the proceeds derived upon the sale thereof shall be expended only for the purpose, or purposes, for which such bonds were authorized."

While the Code does not specifically reference circumstances faced with the proposed reorganization, it does suggest allowance for retention of bonding authority post-reorganization.

Options:

- **Distribute Existing Bonded Indebtedness**—Select between options for distributing existing bonded indebtedness. The most commonly used options are the greater of assessed valuation or expenses for facilities spent within each district. Based on prior analysis, both option appears viable and does not adversely affect either the proposed or existing districts.
- **Retain Approved Bond Authority**—Reference within the petition how existing approved bond authority will be retained.

Suggested Course of Action:

- Meet with Santa Monica-Malibu School District officials to evaluate and select the best option for dividing existing indebtedness.
- Draft petition in consultation with legal counsel to include provisions for division of bonded indebtedness and retention of remaining approved bond authority. A point of reference may be the Golden Valley petition, which included some references to treatment of existing bonds. Seek input and advice from the California Department of Education regarding the language to inform final petition to include such provisions.

2) Parcel Tax: Given the District's unique parcel tax measure, what options exist for retaining the existing parcel tax and what would be required (e.g., time, effort, and cost) to pursue such options?
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As noted in the feasibility report, the District's current parcel tax is fairly unique and critical to the financial viability to the current District. The Education Code lacks clear guidance regarding the treatment of the parcel tax. **There is precedence to suggest that since the Santa Monica District would remain, it will likely retain its portion of the parcel tax (i.e., the portion of the parcel tax generated by parcels within the Santa Monica attendance area), but for the Malibu area to retain the parcel tax additional action may be required.** Unlike the treatment of approved bond authority, AMPS legal counsel has advised that the Education Code provides little direction on this area and that it is probably not a viable option to rely on the petition to define how the parcel tax would be treated post-reorganization. Given the lack of legal direction and precedence for this the best option would be to seek special legislation. Such legislation would specify that the parcel tax for the districts in question would be retained and divided based

on provisions adopted into California Education Code. There is precedent for special legislation in the case the creation of the Santa Barbara Unified school District, which retained a parcel tax that was in place prior to the reorganization.

Option:

- ***Develop Special Legislation***—Work with local representative (Assembly or Senate) to develop legislation that clarifies treatment of the parcel tax. The legislation could be drafted referencing unique conditions (e.g., a date in time by which a petition is approved or new district created, size or type of district formation, etc.) for which the retention and division of a parcel tax would apply. This would allow for passage of the legislation prior to the petition going into effect and limits its impact to only to the creation of the Santa Monica and Malibu districts.

Suggested Course of Action:

- Make local representative aware of the potential reorganization and gauge interest and information needs to consider options for special legislation.
- Draft special legislation referencing unique conditions that would allow for retention of the existing parcel tax once the reorganization occurs.

3) ***Employment Rights and Collective Bargaining.*** If the proposed reorganization were to occur, what specific protections and options are available to employees (e.g., rights of employment, length of protection, compensation levels, collective bargaining authority)? What precedent exists for such options?

The Education Code (§35555-35556 and 45121) recognizes that classified and certificated employees can be vulnerable to changes in employment status and agreements as a result of reorganizations. There are several provisions that provide classified and certificated employees protection and preferences in the reorganization process. Attachment A provides an overview of the process and rules outlined in the Education Code for classified, certificated, and administrative staff. This sense of vulnerability may be amplified in reorganizations that result in the creation of a new district since there is an inability to evaluate labor agreements until a petition for the new district is approved as there is no standing entity for employee groups to negotiate with until such time.

However, there are specific measures within the process outlined in law that provide protections for employees. For instance, classified employees are guaranteed in a new unified district (which would be created in this instance) continue employment for not less than two years following the original districts salaries, benefits, accumulated leave, and other rights from the original collective bargaining agreement. Rules for certificated employees specify that permanent employees assigned to a building located within the new district shall remain at their assigned site, unless they elect to remain with the original district. Employees must select the district in which they will work before February 1 of the year in which the reorganization becomes effective. In addition to these protections another important factor to remember is that when the petition is brought before voters so too would candidates for the Governing Board. This would be like any election where Governing Board members would provide public statements, discussion, and debate their positions and platforms. The process of electing representatives

provides an important measure of transparency and opportunity for the community to vote based on their view of what will best support the needs of the new district's stakeholders.

Several questions have emerged regarding specific issues related to negotiations. Attachment B addresses some of these questions in a Frequently Asked Questions format.

SUGGESTED NEXT STEPS

In addition to the actions suggested within the answers to each question, the following course of action is suggested to prepare for reorganization.

- Develop a petition based on input from stakeholders including employee groups. While it is not possible to put specific language in the petition regarding negotiated items, it would be expected that Governing Board candidates would be asked to provide comment on their position during an election.
- Consider surveying teachers to gauge (non-binding) interest in employment options should a reorganization go forward.
- Bring the petition before voters. This can be done as part of a general election or special election. A special election would be costly so it is most practical to consider placing the petition on a general election ballot (usually June or November of each year). A late-Spring or early-Summer election timeline allows for the maximum start-up time and supports a schedule that would allow for the new district to be fully formed within the beginning of the school year following the election. (This is the time frame followed by Golden Valley. See above description.)
- If approved, once the Governing Board is in place begin the process of district start-up.
 - Secure a start-up loan from the state, if needed.
 - Hire a Superintendent and other district office staff to complete start-up activities (e.g., planning and developing programs, implementing infrastructure to manage budget and human resources, etc.).
 - Engage in labor negotiations.
 - For certificated employees, prepare permanent employees to elect by February 1 if the plan to stay at their site or remain with the Santa Monica Unified School District. (Note: This decision to elect allows employees time to evaluate their options and preferences with the benefit of time for the new district to have in place a collective bargaining agreement.)
- Finalize labor agreement and staffing assignments.

4) <i>Other Implementation Guidance.</i> What other issues are essential to address in planning a successful reorganization process?

Since the feasibility study was conducted in 2012 California has adopted a new funding model (i.e., Local Control Funding Formula [LCFF]). Under this formula the District is funded based on a simplified calculation that provides a base amount per student with additional funding provided based on grade span adjustments and demographic student characteristics. The question has been asked whether under this change in funding formula there will be any adverse affect to the financial status of the remaining Santa Monica and newly formed Malibu school districts. As

noted in the feasibility report, a newly formed Malibu district would likely be funded as a basic aid district. The changes under LCFF do not appear to alter this expected status. Furthermore, under LCFF there remains a mechanism for basic aid districts to retain excess property tax. A change in law would be required to alter or eliminate basic aid and to date such changes have not materialized and appear unlikely given past history and the politics of basic aid. Based on an analysis of preliminary LCFF projections it does not appear that there will be any adverse financial impact on either district, but the exact impact is difficult to project until more accurate LCFF apportionment amounts are known for 2013-14. The California Department of Education does not expect this information to be available until July 2014.

ATTACHMENT A
Overview of Employee Rights and Collective Bargaining Provisions Related to District Reorganization

Area	Classified	Certificated	Management
Education Code Reference	Any reorganization of a school district shall not affect the rights of persons employed in positions not requiring certification to retain the status, leaves, and other benefits that they would have enjoyed, had the reorganization not occurred. (EC 35556, 45121)	The reorganization of school districts shall not affect the classification of certificated employees already employed by any affected school district. (EC 35555)	No reference in EC pertaining to Superintendents and other administrative staff would be subject to rules for classified or certificated.
Employment Status	<p>Employees regularly assigned to a particular school shall be employees of the district in which the school is located, but employees may request transfers or apply to fill vacancies following the collective bargaining procedures of the original district. Employees without a regular site may select their district of preferred employment.</p> <p>In a new unified district (which would be created in this instance), noncertificated employees are entitled to continue employment for not less than two years following the original districts salaries, benefits, accumulated leave, and other rights from the original collective bargaining agreement.</p>	<p>Permanent employees assigned to a building located within the new district shall remain at their assigned site, unless they elect to remain with the original district. Employees must select the district in which they will work before February 1 of the year in which the reorganization becomes effective. If, permanent employees elect to stay with the original district in such numbers that exceed the districts available positions, the surplus employees may be dismissed following the procedures outlined in the collective bargaining agreement.</p> <p>Probationary employees also remain at their site, unless termination notice is provided prior to May 15.</p>	No reference in EC pertaining to Superintendents and other administrative staff would be subject to rules for classified or certificated.
Compensation (level and schedule)	For at least two years follows the contract of the original district.	Addressed during design process and would include developing salary schedule, benefit package, etc. Certificated staff should be aware of such policies and structure prior to needing to declare the district where they will be employed (i.e., in advance of February 1 of the year in which the reorganization is to occur).	No reference in EC pertaining to Superintendents and other administrative staff would be subject to rules for classified or certificated.
Benefits – health and welfare	For at least two years follows the contract of the original district.		
Benefits – retirement	For at least two years follows the contract of the original district; change not anticipated because this is managed by PERS.		
Representation	New collective bargaining will be formed.	New collective bargaining will be formed.	

ATTACHMENT B
Frequently Asked Questions
Related to District Reorganization and Employment Rights and Collective Bargaining

Q: What happens after the petition is passed? When will the Board be seated and staff hired?

A: When the petition is brought before voters, new board members should also be elected. This would allow for immediate formation of the district should the petition be approved. The first task of the new board is to hire a superintendent so that a management team can be assembled. The state offers start-up loans to help with this process.

Q: Who will select the Board and how will they handle negotiations during the transition to ensure classified and certificated staff are treated fairly?

A: As noted above, the Board should be elected at the same time that the petition is on the ballot. The process of electing new board members provides for potential board members to share their intentions and expectations to support public accountability. See Attachment A, "Overview of Employee Rights and Collective Bargaining" for more information.

Q: Assuming that the petition is approved, how soon will the new district begin operating? What are the implications for current staff?

A: Once the petition is approved and a Board is in place, the new district exists and has one year to begin operations. During this initial year it has time to plan and implement start-up activities such as hiring administrative staff, developing programs, putting in place business systems, and negotiating with employee groups. The Education Code provides current employees with many layers of protection during this transition period. Classified employees are entitled to continue employment for not less than two years following the original district's salaries, benefits, accumulated leave, and other rights continue during this time from the original collective bargaining agreement. Permanent certificated staff have until February 1 prior to the beginning of the new district operating to determine which district they wish to be employed by. If permanent employees elect to stay with the original district in such numbers that exceed the district's available positions, the surplus employees may be dismissed following the procedures outlined in the collective bargaining agreement.

Q: Can a teacher in a Santa Monica school choose to be assigned to a Malibu school during this transition period, or is it the case that Malibu teachers are the only ones allowed to elect a different placement?

A: There are two parts that need to be considered in answering this question. During the transition/start-up period the Santa Monica-Malibu Unified School District's collective bargaining agreement is in effect. As such, the provisions regarding request for change in assignment, bumping rules, etc. remain in place. In other words, if a teacher wishes to be reassigned in the year prior to the operations of the new district, they would do so following the contracts terms and conditions. The second part is that permanent teachers at a site within the new district may elect on or before February 1 to remain in the Santa Monica district (and move

to a Santa Monica school) or remain at the site in Malibu and become a Malibu district employee.

Q: How is bumping and seniority affected by the reorganization? Will teachers lose seniority?

A: The Education Code Section 35555 states that “The reorganization of any school district or districts shall not affect the classification of certificated employees already employed by any school district affected. Those employees have the same status with respect to their classification by the district, including time served as probationary employees of the district, after the reorganization as they had prior to it.” In other words, seniority must be honored following the reorganization. During the transition/start-up year, the existing Santa Monica-Malibu provisions regarding bumping and seniority will be in place. As noted in the question above, teachers at a Malibu sites may elect to remain at their site and become an employee of the new Malibu district. Once the new district becomes fully operational (within one year of the petition being approved by voters) the collective bargaining agreement created by the Malibu district will govern bumping, but must honor years of service earned.

Q: Will the reorganization affect pension contributions or payments?

A: The pension systems for certificated and classified staff are managed by the state. All certificated staff are in STRS and classified in PERS. These systems continue to manage all retirement savings and are unaffected by the reorganization.

Q: Are there any unique provisions that apply to teachers of specialized programs such as special education? How will special education services be provided by the new district?

A: Special education teachers are subject to the same provisions that apply to any certificated staff (see above). The new district must offer a comprehensive special education program.

Q: What provisions exist regarding employment of administrators?

A: There are no specific protections for administrators. Each district would need to evaluate their administrator needs and staff accordingly. Those administrators with prior certificated teaching experience may have return rights depending on the provisions included in the contract at the time of the transition.



TO: Craig Foster
Advocates for Malibu Public Schools

FROM: Marguerite Mary Leoni

DATE: September 22, 2014

RE: Questions Pertaining To Formation Of Malibu Unified
School District

This memorandum summarizes my research to date on several questions you proposed to me concerning various aspects of the potential unification of the Malibu portion of Santa Monica Malibu Unified School District (“SMMUSD”) to form Malibu Unified School District (“MUSD”).

1. Upon unification of the Malibu portion of SMMUSD, can the bonded debt¹ be divided in a manner that is different from that specified in the Education Code.

Yes. The Education Code specifies two methods for dividing bonded debt, but also allows different methods to achieve greater fairness. Education Code section 35576 provides:

(a) When territory is taken from one district and annexed to, or included in, another district or a new district by any procedure and the area transferred contains public school buildings or property, the district to which the territory is annexed shall take possession of the building and equipment on the day when the annexation becomes effective for all purposes. The territory transferred shall cease to be liable for the bonded indebtedness of the district of which it was formerly a part and shall automatically assume its proportionate share of the outstanding bonded indebtedness of any district of which it becomes a part.

¹ As we have previously discussed, your questions pertaining to the currently authorized bonds should also be reviewed by SMMUSD’s bond counsel, which I have recommended be done to ensure that there is nothing in the bonding agreements that might affect the conclusions stated in this memorandum.

(b) The acquiring district shall pay the original district the greatest of the amounts determined under provisions of paragraphs (1) or (2) or the amount determined pursuant to a method prescribed under Section 35738.

(1) The proportionate share of the outstanding bonded indebtedness of the original district, which proportionate share shall be in the ratio which the total assessed valuation of the transferring territory bears to the total assessed valuation of the original district in the year immediately preceding the date on which the annexation is effective for all purposes. This ratio shall be used each year until the bonded indebtedness for which the acquiring district is liable has been repaid.

(2) That portion of the outstanding bonded indebtedness of the original district which was incurred for the acquisition or improvement of school lots or buildings, or fixtures located therein, and situated in the territory transferred.

(c) The county board of supervisors shall compute for the reorganized district an annual tax rate for bond interest and redemption which will include the bond interest and redemption on the outstanding bonded indebtedness specified in paragraph (1) or (2) of subdivision (b) or the amount determined pursuant to a method prescribed under Section 35738. The county board of supervisors shall also compute tax rates for the annual charge and use charge prescribed by former Sections 1822.2 and 1825 as they read on July 1, 1970 when such charges were established prior to November 23, 1970. All such tax rates shall be levied in excess of any other ad valorem property tax authorized or required by law and shall not be included in the computation of the limitation specified in subdivision (a) of Section 1 of Article XIII A of the California Constitution.

(Ed. Code § 35576, emphasis added.)

Section 35738², referenced in Section 35576, states:

² All references are to the Education Code unless stated otherwise.

Plans and recommendations may include a method of dividing the bonded indebtedness other than the method specified in paragraphs (1) and (2) of subdivision (b) of Section 35576 for the purpose of providing greater equity in the division. Consideration may be given to the assessed valuation, number of pupils, property values, and other matters which the petitioners or county committee deems pertinent.

(Ed. Code § 35738, emphasis added; see *Co. of Shasta v. Co. of Trinity*, 106 Cal.App.3d 30, 36, interpreting former provisions and stating that “[t]he legislative power over school districts is plenary and upon the reorganization or unification of districts the Legislature may make provision for the division of property and apportionment of the debts of the old district”; 93 Ops. Cal. Atty. Gen. 117, discussing constitutionality of Education Code provisions for the reapportionment of outstanding bonded debt when districts are merged.)

2. Can the petition for formation of Malibu Unified School District specify how existing bonded indebtedness will be split between the new district and the remaining SMMUSD?

Yes. Education Code section 35703 states: “Any petition filed under this article may include any of the appropriate provisions specified in Article 3 (commencing with Section 35730).”

As noted above, the Education Code specifically provides in Article 3 (commencing with Section 35730), that the Plans and Recommendations of the county committee for the reorganization of a school district may include “a method of dividing the bonded indebtedness ...” that may be different from that provided in Section 35576. (§ 35738.) (See, e.g. 1997 Matter of the Unification Golden Valley Unified from the Territory of Madera Unified School District.)

3. Does the obligation of the newly formed MUSD to repay bonded debt incurred when it was a part of SMMUSD, constitute an ad valorem property tax on the properties that become part of the new district?

The Education Code does not use language to the effect that the portion of existing bonded debt apportioned for payment to the new district shall constitute an “ad valorem property tax” assessed against property in the new district. However, section 35576, quoted above, specifies: “All such tax rates [including that necessary to pay the bond interest and redemption on

the outstanding bonded indebtedness allocated to the new district in the reorganization process] shall be levied in excess of any other ad valorem property tax authorized or required by law” This language and its reference to “any other ad valorem property tax”, indicate that the obligation of the MUSD for payment of the bonded debt of the former SMMUSD is an ad valorem tax levied on the property in the new district and collected in the same manner as other property tax. (See also, § 35571: “When a school district is created, annexed, or abolished, or the boundaries thereof changed, the liability to taxation for the outstanding bonded indebtedness of the district or the territory affected thereby is as provided in this article. The authorities whose duty it is to levy taxes for the payment of principal and interest on the outstanding bonds shall levy the taxes upon the districts affected in such proportions as are provided in, or are determined under, the authority of this article,” emphasis added; see, also, *County of Shasta v. County of Trinity*, 106 Cal. App. 3d 30, 36-37 (1980) “With the revision of the Education Code in 1976 (see Stats. 1976, ch. 1010), the Legislature extensively changed the apportionment of indebtedness upon reorganization of school districts. (Ed. Code, §§ 4140, 4152.) Under the current provisions of the Education Code a district acquiring property from another district becomes liable for taxation for the proportionate indebtedness of the district from which the property is acquired. (See Ed. Code, §§ 4142, 4143, 4144, 4146, 4147.)”)

4. Can a petition for unification similarly specify how bonded indebtedness authorized by voters but not yet issued can be divided between the new district and the remaining part of the existing district?

The California Education Code does not address this question. While there appears to be some flexibility in statute (aided perhaps by the waiver process) for the inclusion of a provision in a reorganization petition specifying division of already authorized but unissued bonded indebtedness, because of the significant uncertainties, a surer route to achieving this goal would be through special legislation. For example, while factually distinguishable, recent legislation concerning the unification of Wiseburn School District (Ed. Code § 35580) suggests that special legislation would be the advisable route. Special legislation to address unique local circumstances is not unusual. There are numerous examples in the Education Code. The special legislation to facilitate the Wiseburn unification and the unification of the Santa Barbara districts, discussed below, are just two examples.

The Education Code does address two different scenarios with the result that the authorization to issue bonds is divided. Neither, however, fits the factual scenario of the formation of a new Malibu Unified. Section 35577 concerns the division of a district between two or more other districts so that the existing district "ceases to exist". In these circumstances the Code provides that "the board of supervisors shall, ... , make and enter an order in the minutes of its proceedings that the authorization to issue the unsold bonds be divided between the districts in the ratio which the assessed valuation of the territory transferred to the districts bears to the total assessed valuation of the former district. The bonds, if issued by any new district, shall be considered a liability of the new district for purposes of computing the bonding capacity of the new district when applying the State School Building Aid Law of 1952, Chapter 8 (commencing with Section 16000) of Part 10."

The second scenario addressed in Section 35578 is when a district is included "as a whole" in a new school district. In such a case, the unsold bonds "may be issued by the board of supervisors in the name of the new district and the proceeds derived upon the sale thereof shall be the funds of the new district. However, the proceeds derived upon the sale thereof shall be expended only for the purpose, or purposes, for which such bonds were authorized."

Neither of the above scenarios addresses the formation of a new unified district with the former district remaining in existence. In the case of the unification of Wiseburn School District from Centinela Valley Union High School District, with Centinela remaining in existence, special legislation concerning bonded debt, among other topics, was enacted to facilitate the unification. (SB 477; Ed. Code § 35580 et seq.) The legislation is complex. In pertinent part, the legislation provides for the following with regard to the bonded indebtedness and authorization to issue bonds existing prior to the unification:

(a) Any tax for repayment of bonds of the Wiseburn School District shall be levied on all taxable property of the Wiseburn Unified School District.

(b) Any tax for repayment of bonds issued by the Wiseburn Unified School District, including bonds authorized by the Wiseburn School District, shall be levied on all taxable property of the Wiseburn Unified School District.

(c) Commencing with the fiscal year that begins on the effective date of the reorganization of the Wiseburn School District by the formation of the Wiseburn Unified School District, any tax for repayment of voter approved bonds of the Centinela Valley Union High School District approved before January 1, 2012, shall be levied on both of the following:

(1) All taxable property located within the Centinela Valley Union High School District as the district exists following the effective date of reorganization pursuant to this section.

(2) All taxable property located within the Wiseburn Unified School District that was formerly part of the territory of the Centinela Valley Union High School District.

(d) In recognition of the authority for Centinela Valley Union High School District to continue levying property taxes on taxable property located within the Wiseburn Unified School District for repayment of bonds approved by voters before January 1, 2012, beginning on the effective date of reorganization of the Wiseburn School District by the formation of the Wiseburn Unified School District, the Centinela Valley Union High School District shall transfer to the Wiseburn Unified School District an amount equal to four million dollars (\$4,000,000) from the proceeds of the sale of bonds approved by voters on November 2, 2010, and issued after January 1, 2012. The transfer shall be made from the proceeds of the sale of the first series of bonds issued after January 1, 2012, unless the Centinela Valley Union High School District elects to allocate the transfers to more than one series of bonds, in which case the transfers shall aggregate to the amount of four million dollars (\$4,000,000). Proceeds transferred pursuant to this subdivision shall be expended by the Wiseburn Unified School District for purposes consistent with the original voter authorization for the bonds.

(Ed. Code § 35581, emphasis added.)

5. Does Measure R, SMMUSD's parcel tax, remain in place in the new unified district after the unification?

Probably not. In my experience, reorganization results in the departing parcels losing any obligation for the parcel tax of the original home district.

(Compare, *Citizens Assoc. of Sunset Beach v. Orange County LAFCo*, 209 Cal.App.4th 1183 (2012), rev. denied [annexed parcels automatically liable for parcel taxes] & Gov. Code §57330: “Any territory annexed to a city or district shall be subject to the levying or fixing and collection of any previously authorized taxes, benefit assessments, fees, or charges of the city or district.”.) I have again reviewed the Education Code and found nothing that clarifies the treatment of parcel taxes of the former district with regard to the departing parcels.

Because of this silence in the law regarding previously assessed parcel taxes when districts reorganize, special legislation was necessary to provide for the continuation in effect of taxes approved by the voters of the Santa Barbara Elementary School District, and the Santa Barbara High School District, upon their unification. Effective January 1, 2012, Education Code section 35560 was specifically amended to provide for the continued imposition of qualified special taxes after reorganization “pursuant to Section 50079.2 of the Government Code.” (Ed. Code § 35560(b).)

A qualified special tax is defined as “special taxes that apply uniformly to all taxpayers or all real property within the school district, except that “qualified special taxes” may include taxes that provide for an exemption from those taxes for [specified taxpayers].” (Gov. Code § 50079 (b)(1).) Government Code section 50079.2, however, is special legislation limited to Santa Barbara County. It provides:

Notwithstanding any other law, when any school district in the County of Santa Barbara is in any manner merged with one or more school districts so as to form a single district pursuant to subdivision (b) of Section 35542 of the Education Code, the district so formed may continue to impose any qualified special taxes imposed in any former district as defined by Section 35516 of the Education Code, provided that the revenues derived from those qualified special taxes remain segregated on a geographical basis conforming to the former boundaries of the school districts prior to unification.”

6. Can a parcel tax measure like Measure R be placed on the ballot only in the territory of the proposed new MUSD to become effective only if the unification is successful.

The statutes authorizing a school district to impose special taxes appear intended to permit districts also to place special taxes on the ballot on behalf of a new district in formation. The evolution of the controlling

statutes, however, have injected ambiguities into the law. Since special legislation is required to facilitate this unification, these ambiguities could be resolved in the special legislation.

- a. Action to place special tax on ballot by SMMUSD.

The WestEd Fiscal Analysis provided with regard to Criterion 9, “No Substantial Negative Impact on District Fiscal Management or Status”, as follows:

This report finds that should the [Santa Monica Malibu] District reorganize, the resulting Santa Monica Unified and Malibu Unified School Districts would be financially viable so long as each district’s management team adopt procedures to improve economies of scale and negotiate reasonable salary schedules with their employees that allow for long-term fiscal solvency. The continuation of the Measure R parcel tax is critical to deem the reorganization viable. For this reason, we recommend that legal counsel be consulted; and if necessary, special legislation be considered to delineate conditions for preserving the Measure R parcel tax revenue for the resulting districts. The continued level of uncertainty regarding state funding makes it difficult to fully evaluate this criterion; updates are likely necessary as the state’s fiscal condition becomes clearer.

(Emphasis added.)

Article XIII A, Section 4 of the California Constitution provides:

Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district, except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property within such City, County or special district.

Proposition 62 was a statutory initiative that added a new article to the Government Code. Proposition 62 specified neither it, nor Proposition 13, authorized special districts to impose special taxes that were not authorized by law. In 1987, the Legislature provided that authorization to school districts in Government Code section 50079, which provides:

- (a) Subject to Section 4 of Article XIII A of the California Constitution, any school district may impose qualified special taxes

within the district pursuant to the procedures established in Article 3.5 (commencing with Section 50075) and any other applicable procedures provided by law.

(b)

(1) As used in this section, "qualified special taxes" means special taxes that apply uniformly to all taxpayers or all real property within the school district, except that "qualified special taxes" may include taxes that provide for an exemption from those taxes for all of the following taxpayers:

(A) Persons who are 65 years of age or older.

(B) Persons receiving Supplemental Security Income for a disability, regardless of age.

(C) Persons receiving Social Security Disability Insurance benefits, regardless of age, whose yearly income does not exceed 250 percent of the 2012 federal poverty guidelines issued by the United States Department of Health and Human Services.

(2) "Qualified special taxes" do not include special taxes imposed on a particular class of property or taxpayers.

Subdivision (c) of Government Code section 50077, which is contained in Article 3.5 subdivision (c), provides that, in the context of the formation and reorganization of municipalities and special districts, the Board of the local agency may place on the ballot in the territory of the proposed new district a measure for the enactment of a special tax on behalf of the new district to be formed. Section 50077 provides, in full:

(a) Except as provided in Section 7282 of the Revenue and Taxation Code, the legislative body of any city, county, or district may, following notice and public hearing, propose by ordinance or resolution the adoption of a special tax. The ordinance or resolution shall include the type of tax and rate of tax to be levied, the method of collection, and the date upon which an election shall be held to approve the levy of the tax. The proposition shall be submitted to the voters of the city, county, or district, or a portion thereof, and, upon the approval of two-thirds of the votes cast by voters voting upon the proposition, the city, county, or district may levy the tax.

(b) The legislative body of a city, or district, may provide for the collection of the special tax in the same manner and subject to the same penalty as, or with, other charges and taxes fixed and collected by the city, or district, or, by agreement with the county, by the county on behalf of the city, or district. If the special taxes are

collected by the county on behalf of the city, or district, the county may deduct its reasonable costs incurred for the service before remittal of the balance to the city.

(c) The legislative body of a local agency which is conducting proceedings for the incorporation of a city, the formation of a district, a change of organization, a reorganization, a change of organization of a city, or a municipal reorganization, may propose by ordinance or resolution the adoption of a special tax in accordance with the provisions of subdivision (a) on behalf of an affected city or district.

(d) As used in this section "district" means an agency of the state, formed pursuant to general law or special act, for the local performance of governmental or proprietary functions within limited boundaries.

(Emphasis added.) In 2000, section 50075.5 was added to Article 3.5 defining "local agency", the term appearing in subsection (c) of Section 50077, to include "special districts". Special district, in turn, is specifically defined to include a school district. (Gov. Code § 50077.5(b).)

According to its legislative history, Section 50077(c) was specifically enacted in 1982 to allow public agencies to place special tax measures on the ballot to support the financial viability of a proposed new city or district. (Cf., 6/30/82 Rpt. of Sen. Com. on Local Govt. re AB 3039 (Farr): "Some proposed new cities and special districts may not be financially feasible unless the voters impose special taxes to pay for new services or facilities. Existing law is not entirely clear on whether the question of imposing a special tax can be put on the same ballot as the city incorporation or district formation. Assembly Bill 3039 allows local officials to put the question of a special tax to the voters at the same time they vote on incorporation or formation. The bill does not change the existing requirement for 2/3 voter approval.")

Despite the intent of Section 50077(c), there is ambiguity in the statutory language as applied to school districts. Section 50077(c) authorizes "[t]he legislative body of a local agency which is conducting proceedings for the incorporation of a city, the formation of a district," etc., to place such a tax measure on the ballot. There is no definition of the phrase, "conducting proceedings". Hence, while "local agency", is specifically defined to include a school district, a school district that is the subject of a petition for

reorganization, is not generally understood as “conducting” those proceedings. The County Committee, and the State Board of Education are the two entities empowered to approve school district reorganization, but they are not included in the term, “local agency”, and do not otherwise have taxing authority.

Furthermore, subdivision (c) of section 50077 was enacted simultaneously with amendments to District Organization Law of 1965 to permit an entity conducting proceedings for the formation or reorganization of a local agency to condition the approval on the enactment of benefit assessments or special taxes. School districts, however, have never been subject to the Government Code provisions concerning the formation and reorganization of public agencies. School districts are subject to the reorganization procedures in the Education Code. Hence, while school districts are authorized to enact special taxes in Section 50079 in accordance with Section 50075, et seq., it is unclear whether the authority in Section 50077, subdivision (c) was intended to apply in the case of the reorganization of school districts.³

Nevertheless, the intent of subdivision (c) of Section 50077 seems clear -- to facility the formation of local agencies by permitting the legislative body of a defined agency to propose the enactment of special taxes on behalf of the proposed new agency. One approach, consistent with the intent of Section 50077(c) would be for SMMUSD to place a contingent special tax measure on the ballot in the portion of the district that would eventually become MUSD, if the reorganization were successful. (See, also § 50077(a), which permits a school district to place a tax measure on the ballot in a “portion” of the district.) However, given the ambiguities, there

³ It is even unclear how section 50077, subdivision (c) now applies in the context of other local agency formations. At the time of enactment of subdivision (c) of Section 50077, one of various local agencies with taxing authority had the status of “conducting authority” depending on the type of reorganization as set forth in the District Reorganization Act of 1965, and later by the Cortese-Knox Local Government Reorganization Act of 1985. That has now changed. Proceedings for the formation of local agencies are conducted by the designated Local Agency Formation Commission. (Gov. Code § 56029.) A LAFCo is not within the statutory definition of “local agency”, and it does not have taxing authority. Under current law, upon receipt of the order of the LAFCo, the Board of Supervisors of the affected County, or the council of the affected City is required to place the necessary special tax measures on the ballot. (Gov. Code § 57000(d).) But the County or the City are no longer defined to be the “conducting authority”.

is risk that the authority of SMMUSD to do so could be challenged. Therefore, a safer approach would be to include clarifying provisions in the special legislation required to address the authorized but unissued bonds, discussed above. The special legislation would clarify the authority of SMMUSD, to place a special tax on the ballot identical to Measure R in the portion of SMMUSD that would become the new district.⁴

b. Conditional approval of the unification.

Since the goal is to have the unification of MUSD contingent upon the passage of the special tax, the special legislation should so specify to solve another ambiguity. While nothing in the Education Code prohibits the conditional approval of a unification, I am not aware of any such “conditional unification” ever being approved. This is a distinction from the formation of districts and cities under the LAFCo law, which specifically authorizes conditional approvals.

7. Can parcels in the newly formed MUSD continue to be included in the applicable bonding limits of the remaining SMUSD, and taxed as if the unification had not occurred.

Not under current law. You asked this question with reference to the special legislation applicable to the unification of the Wiseburn Unified School District, Education Code section 35582, and the Local Public

⁴ I do want to mention a new case, decided this month, that may cast additional doubt on Section 50077(c). *City of San Diego v. Shapiro*, 2014 Cal. App. LEXIS 697 (August 1, 2014), held that the term, “qualified electors of such district” in Article XIII A, section 4, meant all of the eligible voters of the jurisdiction. Hence, in proceedings for the formation of a community facilities district under the Mello-Roos Act, the City of San Diego could not limit the vote on the special tax only to the landowners in the district, even if only the landowners would pay the tax. Following the lead of this literal interpretation of Article XIII A, section 4, it could be argued that subdivision (c) of Section 50077 is invalid because only the legislative body of the local agency that would be subject to the tax can place the measure on the ballot (“special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district.) Special legislation discussed in the preceding section to clarify SMMUSD’s authority to place the special tax measure on the ballot pursuant to subdivision (c) of Section 50077, could not solve such a constitutional issue. Hence, the Measure R-continuation tax would need to be placed on the ballot by the board of the new district after its formation. The City of San Diego has recently requested that the California Supreme Court depublish the case so that it is not citable as legal authority.

Schools Funding Authority, a joint powers authority (“JPA”) formed by the predecessor districts, Wiseburn School District and Centinela Valley Union High School District. As we discussed, the circumstances of the unification of the Wiseburn Unified School District are significantly different from those of the proposal to form MUSD. In the Wiseburn unification, there were two predecessor districts, both with taxing authority, that formed the JPA. The purpose was, generally speaking, to issue bonded debt, including with regard to certain commercial property within the jurisdiction of both districts. Here there is a single district, SMMUSD. I am not now aware of any entity with appropriate jurisdiction and taxing authority to negotiate such a JPA to which MUSD would become a successor member in the same manner that Wiseburn Unified became the successor to Wiseburn School District as a member of that JPA. An AMPS member recently suggested that possibly the Los Angeles County Board of Education or the Los Angeles County Board of Supervisors could fulfill that roll. At this point, I have not researched those options, but will do so if you wish for me to pursue that research.

TO: BOARD OF EDUCATION

STUDY SESSION

07/15/15

FROM: SANDRA LYON / JANECE L. MAEZ

7:00 p.m.

RE: JOINT SESSION WITH THE FINANCIAL OVERSIGHT COMMITTEE (FOC)

STUDY SESSION ITEM NO. S.01

As part of the requirements associated with the annual funds given to the School District from the City of Santa Monica, the Financial Oversight Committee (FOC) was appointed as an independent oversight committee regarding the financial matters of the District. This includes an annual report from the FOC to the School Board, reviewing the past year and offering its observations about the District's financial matters.

In addition, the FOC's charge was amended at the June 5, 2008, Board meeting (Item A.22) to include responsibilities associated with the Measure R parcel tax, approved by the voters at the February 2008 Special Election. Measure R requires that an Independent Citizens Oversight Committee monitor proposed and actual parcel tax expenditures each year.

Therefore, in compliance with the foregoing, the Board of Education will convene a joint session with members of the Financial Oversight Committee on July 15, 2015, for the purpose of addressing the following items:

- I. Comments from the FOC as presented by Chair Shelly Slauch Nahass regarding the annual report.
- II. The Board will hear reports from three (3) subcommittees:
 - 1. Retiree Unfunded Health Benefit Liability Review
 - 2. Bond Review for Malibu Unification
 - 3. Budget Review for Malibu Unification

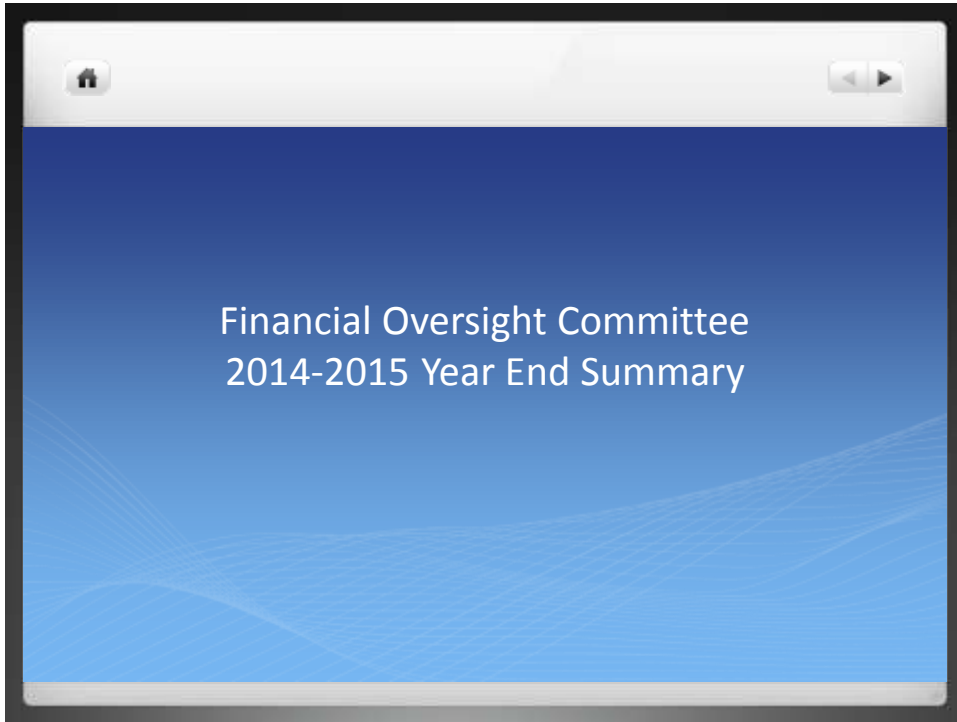
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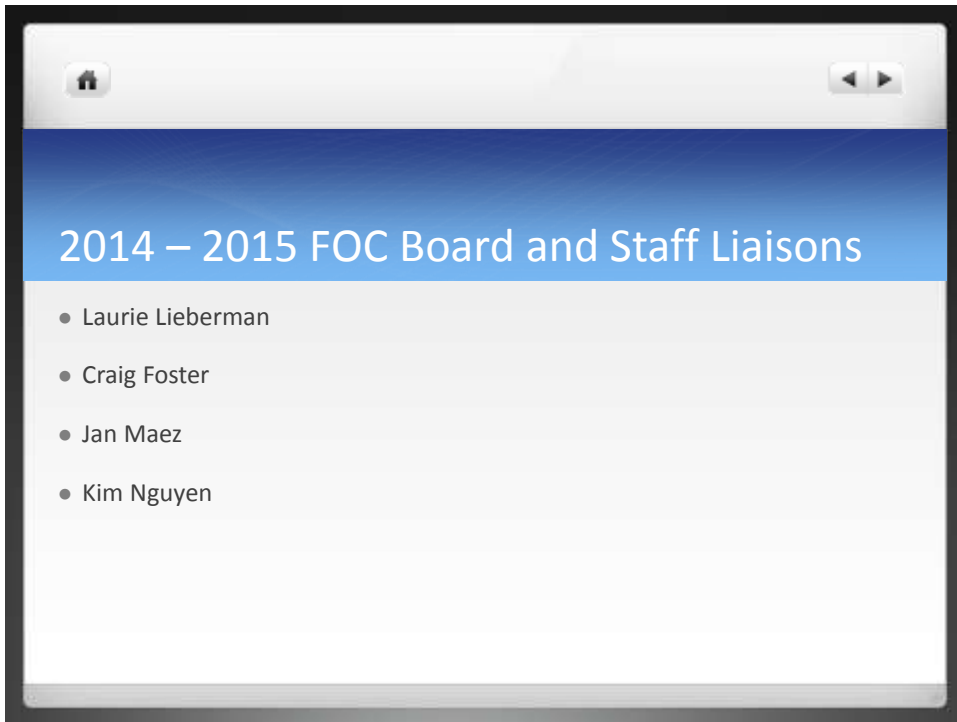
Public Comments:

- Jill Simons, Desi Bradley, Paul Grisauti, Bryan Ingram, Karen Farrer, and Sadie Barish addressed the board regarding this item.

The FOC's report and presentation can be found under Attachments at the end of these minutes. Board members asked about: the necessity of a Malibu parcel tax benefitting an MUSD; future Measure ES bond indebtedness for an SMUSD and an MUSD; specifics of Other Post-Employment Benefits (OPEBs); if the WestEd report addresses interdistrict permits into an MUSD; a possible reduction in centralized staff in an SMUSD; what terms would need to be negotiated for an MUSD to exist and with what entity SMMUSD would negotiate such terms.

Next steps: Staff will bring the GASB 45 compliant irrevocable trust (CERBT) item back for discussion at the next board meeting with the prefunding option and annual review. A subcommittee (Ms. Lieberman, Dr. Escarce, and Mr. Foster) will meet with staff to determine next steps regarding the FOC's research on a split unification, with the understanding that a full discussion will ultimately be held by the entire board at a special board meeting. Mr. Mechur suggested that the subcommittee consider creating a matrix listing the steps, requirements, knowns/unknowns, and potential timelines associated with a split unification. Ms. Leon-Vazquez suggested staff consider polling the residents of Malibu to determine their interest in split unification.

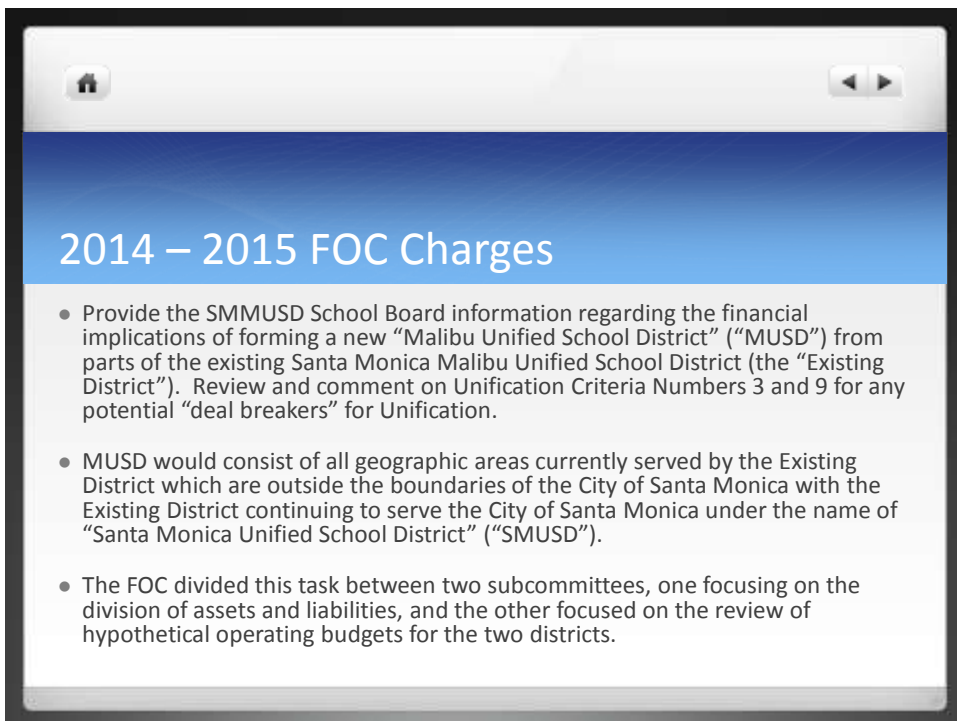




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2014 – 2015 FOC Board and Staff Liaisons

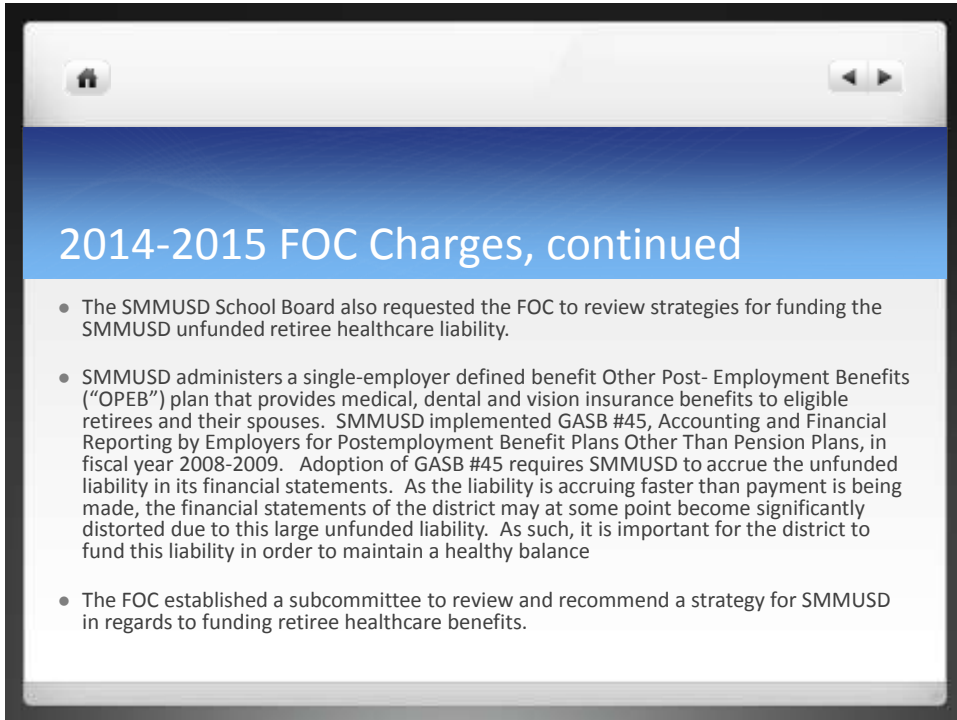
- Laurie Lieberman
- Craig Foster
- Jan Maez
- Kim Nguyen



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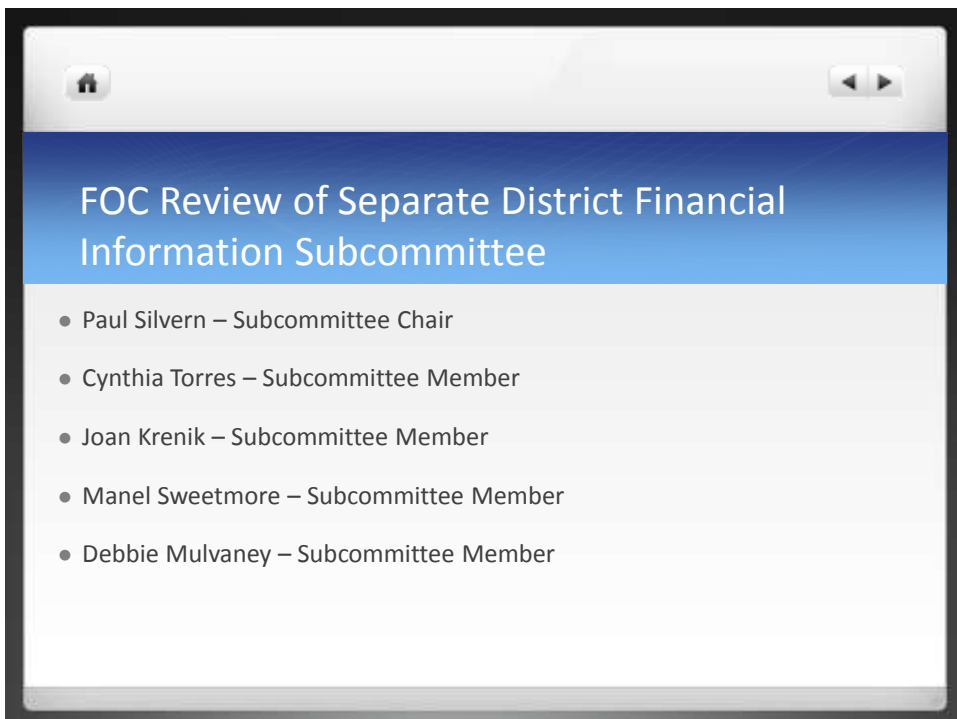
2014 – 2015 FOC Charges

- Provide the SMMUSD School Board information regarding the financial implications of forming a new “Malibu Unified School District” (“MUSD”) from parts of the existing Santa Monica Malibu Unified School District (the “Existing District”). Review and comment on Unification Criteria Numbers 3 and 9 for any potential “deal breakers” for Unification.
- MUSD would consist of all geographic areas currently served by the Existing District which are outside the boundaries of the City of Santa Monica with the Existing District continuing to serve the City of Santa Monica under the name of “Santa Monica Unified School District” (“SMUSD”).
- The FOC divided this task between two subcommittees, one focusing on the division of assets and liabilities, and the other focused on the review of hypothetical operating budgets for the two districts.



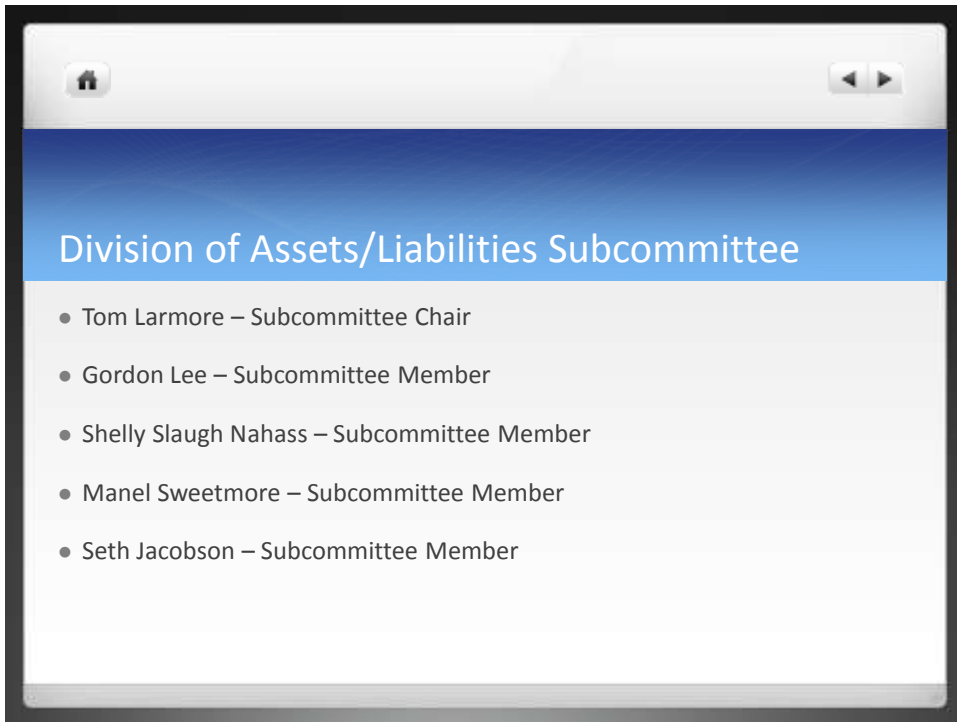
2014-2015 FOC Charges, continued

- The SMMUSD School Board also requested the FOC to review strategies for funding the SMMUSD unfunded retiree healthcare liability.
- SMMUSD administers a single-employer defined benefit Other Post- Employment Benefits (“OPEB”) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. SMMUSD implemented GASB #45, Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans, in fiscal year 2008-2009. Adoption of GASB #45 requires SMMUSD to accrue the unfunded liability in its financial statements. As the liability is accruing faster than payment is being made, the financial statements of the district may at some point become significantly distorted due to this large unfunded liability. As such, it is important for the district to fund this liability in order to maintain a healthy balance
- The FOC established a subcommittee to review and recommend a strategy for SMMUSD in regards to funding retiree healthcare benefits.



FOC Review of Separate District Financial Information Subcommittee

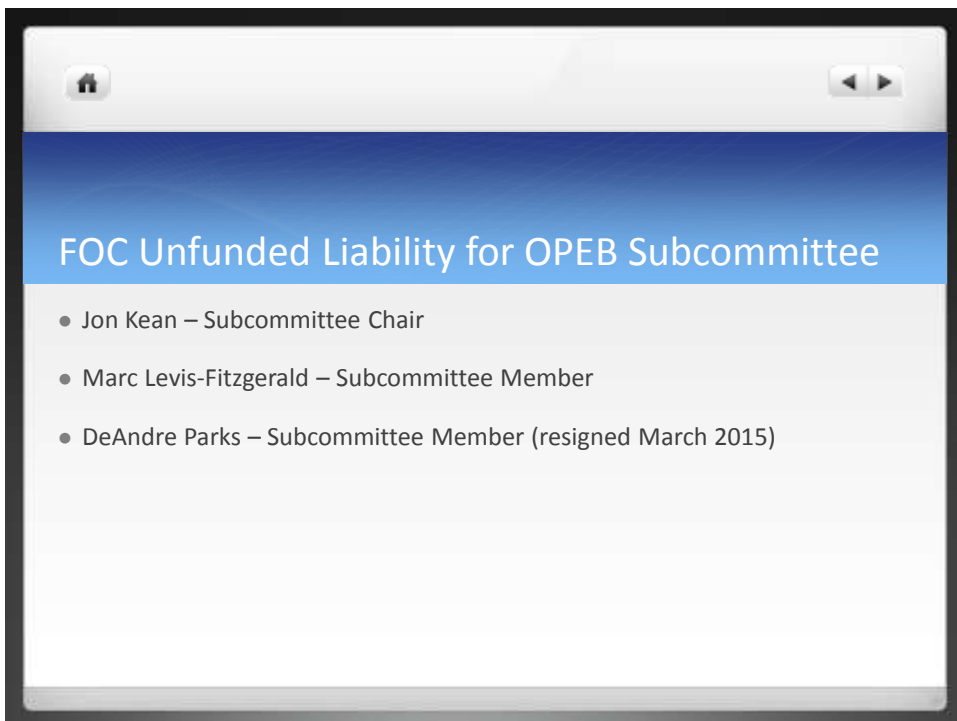
- Paul Silvern – Subcommittee Chair
- Cynthia Torres – Subcommittee Member
- Joan Krenik – Subcommittee Member
- Manel Sweetmore – Subcommittee Member
- Debbie Mulvaney – Subcommittee Member



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Division of Assets/Liabilities Subcommittee

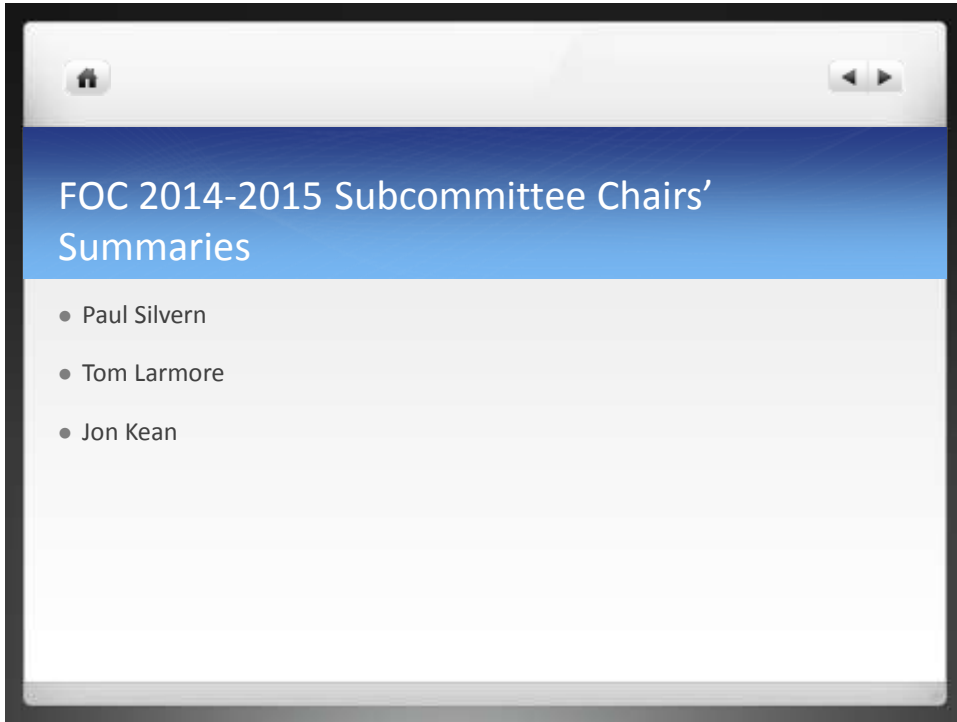
- Tom Larmore – Subcommittee Chair
- Gordon Lee – Subcommittee Member
- Shelly Slaugh Nahass – Subcommittee Member
- Manel Sweetmore – Subcommittee Member
- Seth Jacobson – Subcommittee Member



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FOC Unfunded Liability for OPEB Subcommittee

- Jon Kean – Subcommittee Chair
- Marc Levis-Fitzgerald – Subcommittee Member
- DeAndre Parks – Subcommittee Member (resigned March 2015)



MEMORANDUM

To: Board of Education

From: Financial Oversight Committee

Date: July 15, 2015

Subject: Proposed Action to Reorganize the Existing Santa Monica-Malibu Unified School District by Forming a New Malibu Unified School District from Parts of the Existing District – Implications Relating to Annual Operating Budgets

This Memorandum responds to another of the charges given by the Board of Education (“Board”) to the Financial Oversight Committee (“FOC”) at a joint Board-FOC meeting in July 2014. At that meeting, the Board requested that the FOC provide information regarding the financial implications of the California Education Code (“Ed Code”) concept of “unification,” as it might apply to the formation of a new “Malibu Unified School District” (“MUSD”) from parts of the existing Santa Monica-Malibu Unified School District (the “Existing District”). MUSD would consist of the geographic areas currently served by the Existing District which are outside the boundaries of the City of Santa Monica, with the Existing District continuing to serve the City of Santa Monica under the name “Santa Monica Unified School District (“SMUSD”).

The FOC divided this task between two subcommittees, one focusing on the division of assets and liabilities (i.e., Ed Code unification criterion #3 of 9), which is addressed in a separate memorandum, and the other focusing on annual operating budgets for the hypothetical new school districts (i.e., Ed Code unification criterion #9 of 9), which is the focus of this Memorandum.

Summary

Based on careful review of updated annual operating budget forecasts for the Unrestricted General Fund is a hypothetical new MUSD prepared by WestEd, the financial consultants retained by advocates for a new MUSD, and updated forecasts for the Unrestricted General Fund in a new SMUSD prepared by the Existing District’s Chief Financial Officer (“SMMUSD CFO”), where these forecasts were derived from the Existing District’s FY 2014-2015 Second Interim financial status report and a set of analysis assumptions mutually agreed to by the FOC, the SMMUSD CFO and WestEd, the FOC concludes as follows:

- ***The only potential “deal breaker” is the need for a new MUSD Parcel Tax.*** In its charge to the FOC, the Board expressed particular interest in learning whether there were any financial issues sufficiently material to preclude support by the Board for the proposed unification – i.e., any so-called “deal breakers.” The FOC concludes that the only potential “deal breaker” is the need for the voters in Malibu to enact a new parcel tax that is roughly equivalent to the parcel tax that now applies in the Existing District, or alternatively the enactment of new State legislation permitting the current parcel tax to continue to be applied within the MUSD. The unification proponents have indicated that they intend to seek voter approval of a parcel tax as a condition of forming a new MUSD.
- ***Assuming a new parcel tax in Malibu, the proposed reorganization would not cause a substantial negative effect on the fiscal status of a new MUSD or SMUSD.*** As explained below, the FOC further concludes that, so long as the new MUSD obtains annual revenue

from a new parcel tax, both separate school districts would be financially solvent, as defined by the Ed Code, in the base year (FY 2014-15) and two succeeding fiscal years of operation, based on their respective forecasted year-end cash position and fund balances, and ability to fund the minimum three percent reserve for economic uncertainties.

- **Updating the WestEd forecast for a new MUSD to match the adopted FY 2015-16 SMMUSD Budget will not alter these conclusions.** Although the financial forecast for a new MUSD should be further updated to reflect increases in State funding for the current and next fiscal year, and certain operating cost increases imbedded in the Existing District's adopted budget for FY 2015-16, the FOC does not believe the update will materially alter the solvency conclusions derived from the Existing District's Second Interim, and may actually show some financial improvement over the current WestEd forecast.

The principal reasons for these positive financial solvency conclusions are that: (1) a new MUSD would become a "basic aid" school district, enabling it to utilize about \$4.8 million in allocated property tax revenue in excess of its State-determined Local Control Funding Formula ("LCFF") entitlement, even using a conservative assumption about annual growth in the assessed value of property; (2) SMUSD would keep a much larger share of the Existing District's roughly \$33 million in locally generated revenues it now shares with schools in Malibu (e.g., from the Measure R parcel tax, the City of Santa Monica joint use agreement, the City of Santa Monica Measure Y/YY sales tax measure, and lease revenue from joint occupancy developments); and (3) forecasted revenues exceed the scale diseconomies of operating two separate smaller school districts. MUSD would operate on an essentially break-even basis and exhibit a fund balance of about \$5 million in each of its first three years (again assuming new parcel tax revenue). SMUSD would exhibit an annual operating deficit in the outer years of the forecast, but would still have a healthy fund balance each year to draw against, just as the Existing District does now, such that its annual ending fund balance is \$10 million or more in each year of the forecast. Diligent financial stewardship to reduce SMUSD's annual operating deficit would still be needed.

Changes to the Financial Forecast Modeling Assumptions

In order to respond to the Board's direction with regard to the annual operating budgets for MUSD and SMUSD after unification, the FOC requested that WestEd and the SMMUSD CFO update previous forecasts for separate school districts that were initially prepared in 2013. The updates were intended to account for key changes in State funding for K-12 public education during the intervening years, and certain FOC and SMMUSD CFO questions about WestEd modeling assumptions used in the prior work. The requested changes, all of which were agreed to by WestEd and the MUSD proponents, included:

- Using the LCFF budgeting approach and related SMMUSD calculation assumptions, rather than the Revenue Limit approach that previously applied;
- A revised set of overhead operating cost assumptions that more explicitly takes into account separated school district scale economies;
- Including annual budget projections for an MUSD and SMUSD initial operating year and two additional operating years, consistent with standard school district budgeting practice, rather than the initial year only;
- Using updated enrollment forecasts and staffing for each school; and

- Including a sensitivity analysis for an MUSD budget showing the budget implications with and without new parcel tax revenue, which all parties understood to be a critical financial variable.

Accordingly, the SMMUSD CFO and WestEd then jointly developed a set of detailed revenue and operating cost calculation assumptions that were based on SMMUSD's FY 2014-15 Second Interim financial condition report. These assumptions were provided to and discussed by the FOC subcommittee focused on the operating budget issues. The resulting financial forecasts are included in the Appendices to this Memorandum. Appendix A includes the WestEd forecast for a new MUSD, using the SMMUSD Second Interim as the baseline. Appendix B includes the SMMUSD CFO's forecast for SMUSD also using the SMMUSD Second Interim as the baseline. Appendix C includes the SMMUSD CFO's forecast for SMUSD using the SMMUSD's adopted FY 2015-16 budget assumptions as the baseline.

Annual Revenues

The revenue profile of separate school districts post-unification would differ in many respects from SMMUSD today. As noted above, because of the scale of the assessed value of property in Malibu, and associated annual property tax revenue, a new MUSD would become a Basic Aid District, whereas SMMUSD would continue to rely on LCFF State Aid through Proposition 98 funding to make up the difference between its LCFF allocation and local property tax revenue. In fact, the SMUSD share of total revenue from LCFF State Aid funding would be somewhat larger than for SMMUSD today, due to a smaller assessed value/property tax revenue base within Santa Monica only. On the other hand, as also noted above, SMUSD would benefit by keeping nearly all of SMMUSD's extraordinary share of "local revenue," much of which derives from within Santa Monica and is now shared with schools in Malibu.

Table 1 summarizes forecasted total revenue for MUSD (with and without its share of current parcel tax revenue) and SMUSD, using SMMUSD's Second Interim as the baseline; and for SMUSD using the SMMUSD's adopted FY 2015-16 budget as the baseline.

Table 1
MUSD and SMUSD Revenue Forecasts Under Alternative FY 2014-15 Baselines

Revenue Category	2014-15	2015-16	2016-17	2017-18
Baseline = SMMUSD Second Interim				
Malibu Unified School District, With Parcel Tax				
LCFF Revenue				
Property Tax	\$ 17,371,428	\$ 17,892,571	\$ 18,429,348	\$ 18,982,228
LCFF State Aid	\$ -	\$ -	\$ -	\$ -
Other LCFF ¹	\$ 571,061	\$ 557,261	\$ 551,861	\$ 538,861
Other State Revenues ²	\$ 425,636	\$ 291,716	\$ 216,448	\$ 205,696
Other Federal Revenues	\$ -	\$ -	\$ -	\$ -
Local Revenues				
Measure R Parcel Tax	\$ 3,188,480	\$ 3,188,480	\$ 3,188,480	\$ 3,188,480
Other Local Revenue ³	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Local General Fund Contribution	<u>\$ (3,235,031)</u>	<u>\$ (3,348,257)</u>	<u>\$ (3,455,401)</u>	<u>\$ (3,590,162)</u>
Total Revenue	\$ 18,521,574	\$ 18,781,771	\$ 19,130,736	\$ 19,525,103
Malibu Unified School District, Without Parcel Tax				
LCFF Revenue				
Property Tax	\$ 17,371,428	\$ 17,892,571	\$ 18,429,348	\$ 18,982,228
LCFF State Aid	\$ -	\$ -	\$ -	\$ -
Other LCFF ¹	\$ 571,061	\$ 557,261	\$ 551,861	\$ 538,861
Other State Revenues ²	\$ 425,636	\$ 291,716	\$ 216,448	\$ 205,696
Other Federal Revenues	\$ -	\$ -	\$ -	\$ -
Local Revenues				
Measure R Parcel Tax	\$ -	\$ -	\$ -	\$ -
Other Local Revenue ³	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Local General Fund Contribution	<u>\$ (3,235,031)</u>	<u>\$ (3,348,257)</u>	<u>\$ (3,455,401)</u>	<u>\$ (3,590,162)</u>
Total Revenue	\$ 15,333,094	\$ 15,593,291	\$ 15,942,256	\$ 16,336,623
Santa Monica Unified School District				
LCFF Revenue				
Property Tax	\$ 46,995,932	\$ 46,995,931	\$ 46,995,931	N/A
LCFF State Aid	\$ 14,365,973	\$ 7,145,092	\$ 9,348,595	N/A
Other LCFF ¹	\$ 1,304,372	\$ 13,227,255	\$ 13,778,132	N/A
Other State Revenues ²	\$ 2,040,312	\$ 3,120,432	\$ 1,500,432	N/A
Other Federal Revenues	\$ 8,000	\$ 8,000	\$ 8,000	N/A
Local Revenues				
Measure R Parcel Tax	\$ 8,072,813	\$ 8,153,541	\$ 8,153,541	N/A
Other Local Revenue ³	\$ 18,776,307	\$ 19,052,269	\$ 19,324,614	N/A
Local General Fund Contribution	<u>\$ (19,195,421)</u>	<u>\$ (19,195,421)</u>	<u>\$ (19,195,421)</u>	N/A
Total Revenue	\$ 72,368,288	\$ 78,507,099	\$ 79,913,824	N/A
Baseline = Adopted SMMUSD FY 2015-16 Budget				
Santa Monica Unified School District				
LCFF Revenue				
Property Tax	N/A	\$ 51,434,743	\$ 51,434,743	\$ 51,434,743
LCFF State Aid	N/A	\$ 17,137,886	\$ 19,362,108	\$ 21,739,523
Other LCFF ¹	N/A	\$ 1,466,800	\$ 1,451,000	\$ 1,451,000
Other State Revenues ²	N/A	\$ 6,908,831	\$ 1,496,232	\$ 1,488,232
Other Federal Revenues	N/A	\$ 8,000	\$ 8,000	\$ 8,000
Local Revenues				
Measure R Parcel Tax	N/A	\$ 8,080,963	\$ 8,161,773	\$ 8,243,390
Other Local Revenue ³	N/A	\$ 21,226,823	\$ 21,409,614	\$ 21,685,407
Local General Fund Contribution	N/A	<u>\$ (19,547,444)</u>	<u>\$ (19,938,393)</u>	<u>\$ (20,337,161)</u>
Total Revenue	N/A	\$ 86,716,602	\$ 83,385,077	\$ 85,713,134

¹ Includes LCFF transfers to Funds 11 & 14, LCFF Transfers to Charter School & County specialized secondary school and Education Protection Account revenues.

² Includes lottery, mandatory reimbursements and other State revenues.

³ For MUSD, includes City of Malibu services contract. For SMUSD, includes Prop. Y/YY transaction and use tax, City of Santa Monica contract, leases & rentals, and other miscellaneous local revenues.

Sources: SMMUSD CFO, WestEd

According to the forecasts, a new MUSD would, with parcel tax revenue, generate about \$18.5 million in revenue in the FY 2014-15 base year, increasing to \$19.1 million over the succeeding two years (FY 2016-17), due largely to increases in local property tax revenue, which were conservatively estimate to increase at the rate of three percent per year. Lack of a parcel tax would reduce revenues by about \$3.2 million to \$3.5 million in each year of the forecast. Over the same period, SMUSD would generate a total of \$72.4 million in total revenue in the base year, increasing to \$79.9 million two years later, due largely to increases in LCFF State Aid. Using the adopted SMMUSD budget for FY 2015-16 instead as the analysis baseline, SMUSD would generate revenues of \$83.4 million by FY 2016-17, due to higher estimates for both property tax revenue and LCFF State Aid.

More detail about each revenue forecast is included in the Appendices.

Annual Operating Expenditures

School-level operating cost assumptions were based on FY 2014-15 operating cost estimates for each school located in Malibu and Santa Monica, including their respective staffing levels, and the forecasts assume continuation of essentially the same educational programs and offerings as currently provided in these schools by SMMUSD. WestEd and the SMMUSD CFO agreed on appropriate assumptions for centralized overhead cost increases that would apply to a new MUSD (e.g., a new Superintendent and new centralized department staffing), whereas the SMMUSD CFO made certain assumptions about modest reductions in centralized staffing costs for operating a smaller SMUSD (e.g., in Human Resources, Educational Services, Health Services, Special Education, Theater Operations, Computer Services, Purchasing, Grounds and Operations, and Maintenance). All certificated and classified school personnel now assigned to operation of each school in Malibu and Santa Monica were assumed to remain in place, with any actual post-unification changes to be subject to collective bargaining.

Based on these and other calculation assumptions, the annual expenditure forecasts for MUSD and SMUSD using the FY 2014-15 Second Interim baseline are summarized in Table 2, along with forecasts for SMUSD using the adopted 2015-16 budget as the baseline.

Table 2

MUSD and SMUSD Expenditure Forecasts Under Alternative FY 2014-15 Baselines

Revenue Category	2014-15	2015-16	2016-17	2017-18
Baseline = SMMUSD Second Interim				
<i>Malibu Unified School District</i>				
Certificated Salaries	\$ 8,674,819	\$ 8,804,941	\$ 8,937,015	\$ 9,071,071
Classified Salaries	\$ 2,961,948	\$ 3,006,377	\$ 3,051,473	\$ 3,097,245
Employee Benefits	\$ 3,941,600	\$ 4,290,999	\$ 4,695,797	\$ 5,193,017
Supplies/Books	\$ 796,477	\$ 815,592	\$ 837,613	\$ 861,067
Other Operational Costs	\$ 1,570,479	\$ 1,608,170	\$ 1,651,591	\$ 1,697,836
Other Expenditures ¹	\$ 50,000	\$ 51,200	\$ 52,582	\$ 54,055
Total Expenditures	\$ 17,995,323	\$ 18,577,279	\$ 19,226,071	\$ 19,974,291
<i>Santa Monica Unified School District</i>				
Certificated Salaries	\$ 37,922,447	\$ 38,491,284	\$ 39,068,653	N/A
Classified Salaries	\$ 12,556,255	\$ 12,744,599	\$ 12,935,768	N/A
Employee Benefits	\$ 16,681,346	\$ 18,124,962	\$ 19,753,980	N/A
Supplies/Books	\$ 1,799,683	\$ 1,800,000	\$ 1,800,000	N/A
Other Operational Costs	\$ 6,936,632	\$ 7,000,000	\$ 7,000,000	N/A
Other Expenditures ¹	\$ (460,437)	\$ 2,179,595	\$ 1,058,044	N/A
Total Expenditures	\$ 75,435,926	\$ 80,340,440	\$ 81,616,445	N/A
Baseline = Adopted SMMUSD FY 2015-16 Budget				
<i>Santa Monica Unified School District</i>				
Certificated Salaries	N/A	\$ 40,972,000	\$ 41,145,440	\$ 41,625,353
Classified Salaries	N/A	\$ 14,318,771	\$ 14,533,553	\$ 14,751,556
Employee Benefits	N/A	\$ 19,371,325	\$ 21,022,644	\$ 22,816,545
Supplies/Books	N/A	\$ 2,431,667	\$ 2,400,000	\$ 2,400,000
Other Operational Costs	N/A	\$ 8,746,270	\$ 8,700,000	\$ 8,700,000
Other Expenditures ¹	N/A	\$ (28,849)	\$ 95,938	\$ 431,669
Total Expenditures	N/A	\$ 85,811,184	\$ 87,897,575	\$ 90,725,123

¹ Includes capital outlay, debt service, indirect costs, inter-fund transfers, LCAP increase above 2015-16, and mandated/common core program.

Sources: SMMUSD CFO, WestEd

According to the forecasts, a new MUSD would incur about \$18.0 million in operating expenditures in the FY 2014-15 base year, increasing to \$19.2 million over the succeeding two years, due largely to “step and column” salary increases and rising costs of employee benefits. Over the same period, a new MUSD would incur about \$75.4 million in operating expenditures in the base year, increasing to \$81.6 million two years later, also due primarily to personnel-related cost increases. Using the adopted SMMUSD budget for FY 2015-16 instead as the analysis baseline, SMUSD would incur expenditures of \$87.9 million by FY 2016-17.

More detail about the annual expenditure forecasts is included in the Appendices.

Annual Net Operating Results

Table 3 shows that after netting forecasted annual expenditures against forecasted annual revenues, a new MUSD would show a modest positive net operating revenue in the base year (about \$526,000) and slightly negative net operating revenue (about -\$95,000) two years later, assuming parcel tax revenue. Absent MUSD's share of the current parcel tax revenue, the net operating budget for a new MUSD would be negative in all future years of the forecast (i.e., from -\$2.7 million in FY 2014-15 to -\$3.3 million in FY 2016-17). SMUSD's net operating budget would be negative in all years of the forecast (i.e., from -\$3.1 million in FY 2014-15 to -\$1.7 million in FY 2016-17), reflecting the structural operating deficit in the SMMUSD. Using the adopted SMMUSD budget for FY 2015-16 instead as the analysis baseline, SMUSD's net operating revenue would be -\$4.5 million by FY 2016-17. More detail about net operating results for each forecast is included in the Appendices.

Table 3
MUSD and SMUSD Net Operating Revenue Forecasts Under Alternative FY 2014-15 Baselines

Revenue Category	2014-15	2015-16	2016-17	2017-18
Baseline = SMMUSD Second Interim				
<i>Malibu Unified School District, With Parcel Tax</i>				
Total Revenues	\$ 18,521,574	\$ 18,781,771	\$ 19,130,736	\$ 19,525,103
Total Expenditures	\$ (17,995,323)	\$ (18,577,279)	\$ (19,226,071)	\$ (19,974,291)
Net Operating Revenues	\$ 526,251	\$ 204,492	\$ (95,335)	\$ (449,188)
<i>Malibu Unified School District, Without Parcel Tax</i>				
Total Revenues	\$ 15,333,094	\$ 15,593,291	\$ 15,942,256	\$ 16,336,623
Total Expenditures	\$ (17,995,323)	\$ (18,577,279)	\$ (19,226,071)	\$ (19,974,291)
Net Operating Revenues	\$ (2,662,229)	\$ (2,983,988)	\$ (3,283,815)	\$ (3,637,668)
<i>Santa Monica Unified School District</i>				
Total Revenues	\$ 72,368,288	\$ 78,507,099	\$ 79,913,824	N/A
Total Expenditures	\$ (75,435,926)	\$ (80,340,440)	\$ (81,616,445)	N/A
Net Operating Revenues	\$ (3,067,638)	\$ (1,833,341)	\$ (1,702,621)	N/A
Baseline = Adopted SMMUSD FY 2015-16 Budget				
<i>Santa Monica Unified School District</i>				
Total Revenues	N/A	\$ 86,716,602	\$ 83,385,077	\$ 85,713,134
Total Expenditures	N/A	\$ (85,811,184)	\$ (87,897,575)	\$ (90,725,123)
Net Operating Revenues	N/A	\$ 905,418	\$ (4,512,498)	\$ (5,011,989)

Sources: SMMUSD CFO, WestEd

Fund Balance Results

The MUSD forecast assumes that its beginning balance in FY 2014-15 would be about \$4.6 million, based on a fair share allocation of SMMUSD assets. This, in combination with the forecasted net operating results discussed above (including parcel tax revenue), means that a new MUSD would have a positive ending fund balance of about \$5.1 million each year of the forecast, and about a \$4.0-\$4.5 million unappropriated balance after designated reserves and the three percent contingency for economic uncertainties. The ending fund balances and

unappropriated balances would both be negative after the initial forecast year without MUSD's share of the existing parcel tax. Both outcomes are based on using the SMMUSD Second Interim as the baseline. For SMUSD, and also using the Second Interim baseline, the ending fund balance would be about \$10 million or more in each year of the forecast, and the unappropriated balance would be about \$5.8 million. Using the adopted SMMUSD budget for FY 2015-16 instead as the analysis baseline, a new SMUSD's ending fund balanced would be about \$15.7 million by FY 2016-17, and the unappropriated balance would be about \$16.4 million by FY 2016-17. These results are summarized in Table 4. More detail about forecasted fund balance results is provided in the Appendices.

Table 4
MUSD and SMUSD Fund Balance Forecasts Under Alternative FY 2014-15 Baselines

Revenue Category	2014-15	2015-16	2016-17	2017-18
Baseline = SMMUSD Second Interim				
Malibu Unified School District, With Parcel Tax				
Beginning Fund Balance	\$ 4,555,328	\$ 5,081,579	\$ 5,219,121	\$ 5,123,785
Ending Fund Balance	\$ 5,081,579	\$ 5,219,121	\$ 5,123,785	\$ 4,674,598
Dedicated Reserves ¹	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
3% Reserve for Economic Uncertainties	\$ 696,600	\$ 718,563	\$ 739,178	\$ 765,596
Unappropriated Fund Balance	\$ 4,379,979	\$ 4,495,558	\$ 4,379,607	\$ 3,904,002
Malibu Unified School District, Without Parcel Tax				
Beginning Fund Balance	\$ 4,555,328	\$ 1,893,099	\$ (1,157,838)	\$ (4,441,654)
Ending Fund Balance	\$ 1,893,099	\$ (1,157,838)	\$ (4,441,654)	\$ (8,079,320)
Dedicated Reserves ¹	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
3% Reserve for Economic Uncertainties	\$ 696,600	\$ 718,563	\$ 739,178	\$ 765,596
Unappropriated Fund Balance	\$ 1,191,499	\$ (1,881,401)	\$ (5,185,832)	\$ (8,849,916)
Santa Monica Unified School District				
Beginning Fund Balance	\$ 16,600,000	\$ 13,532,363	\$ 11,699,022	N/A
Ending Fund Balance	\$ 13,532,363	\$ 11,699,022	\$ 9,996,401	N/A
Dedicated Reserves ¹	\$ 3,630,588	\$ 1,802,621	\$ 100,000	N/A
3% Reserve for Economic Uncertainties	\$ 4,046,569	\$ 4,050,085	\$ 4,178,984	N/A
Unappropriated Fund Balance	\$ 5,855,206	\$ 5,846,316	\$ 5,717,417	N/A
Baseline = Adopted SMMUSD FY 2015-16 Budget				
Santa Monica Unified School District				
Beginning Fund Balance	N/A	\$ 19,282,082	\$ 20,187,501	\$ 15,675,002
Ending Fund Balance	N/A	\$ 20,187,501	\$ 15,675,002	\$ 10,671,014
Dedicated Reserves ¹	N/A	\$ 4,612,498	\$ (4,903,989)	\$ 100,000
3% Reserve for Economic Uncertainties	N/A	\$ 4,050,085	\$ 4,178,984	\$ 4,178,985
Unappropriated Fund Balance	N/A	\$ 11,524,917	\$ 16,400,007	\$ 6,392,029

¹ Includes revolving cash, stores, and reserves for deficit spending.

Sources: SMMUSD CFO, WestEd

APPENDIX A

WestEd Forecasts for a New Malibu Unified School District

(SMMUSD Second Interim Baseline)

Criterion 6: No Disruption to Educational Programs or Performance

The proposed reorganization will continue to promote sound education performance and will not significantly disrupt the educational programs in the districts affected by the proposed reorganization.

- Education Code Section 35753(a)(6)

The proposal or petition shall not significantly adversely affect the educational program of districts affected by the proposal or petition. In analyzing the proposal or petition, the California Department of Education shall describe the districtwide programs and the school site programs in schools not a part of the proposal or petition that will be adversely affected by the proposal or petition.

- California Code of Regulations, Title 5, Section 18573(5)

Description & Findings

According to the Education Code, analysis of this criterion should include academic performance of students at the impacted schools as well as program offerings available to these students. In order to best understand potential future opportunities and performance at the schools, the County Committee on School District Organization (SDO) Handbook recommends reviewing past performance and programs and then projecting possible adjustments due to the proposal.

The key areas to explore include academic performance as reflected by standardized test scores and accreditation reports, program offerings at schools within each of the proposed district areas, and shared programs that might be disrupted by reorganization. Considering that students generally attend neighborhood schools, the proposed reorganization would have limited impact on the general education support provided to students assuming that current staff and curriculum remain similar to that which is currently in place. However, for those programs and opportunities for which there is a significant centralized role in operating and supporting (e.g., special education, English Language Learner services, alternative education), the reorganization could have a moderate to significant impact. This section focuses primarily on the impact the proposed reorganization may have on specialized programs and highlights considerations for AMPS and the District as it evaluates the feasibility of reorganization.

Analysis

The analysis of the above criterion's application to the proposal focuses on the following:

- Academic performance
- Advanced Placement/Honors course offerings and success rates
- Special needs programs, including special education, courses for English Language Learners, and alternative education
- Other opportunities and challenges presented by the proposal.

Academic Performance

While the state is currently undergoing a change in its accountability system, it is important to note that this analysis relies on the most current data available for Academic Performance Index (API) scores. Overall the academic performance of District students is above state and county averages. The District's overall API score for 2013 of 865 places it among the top tier of performers in the state. As shown in Table 1, the level of performance is fairly consistent between all schools within the District. Performance of students classified as English Language Learners and Students with Disabilities lags that of their peers, but is consistent with trends observed statewide.

Table 1: Academic Performance

School	API (2013)	Percent at or above Proficient English-Language Arts (2013)		
		All Students	English Learners	Students with Disabilities
Proposed Malibu District				
Cabrillo Elementary	878	69.0%	33.3%	47.8%
Point Dume Elementary	929	84.1%	N/A	86.7%
Webster Elementary	944	87.7%	N/A	50.0%
Malibu High	883	82.2%	60.8%	59.2%
Remaining Santa Monica District				
Edison Elementary	884	67.0%	48.5%	54.8%
Franklin Elementary	949	90.5%	75.0%	74.7%
Grant Elementary	878	72.7%	38.1 %	42.9%
John Muir Elementary	816	54.6%	31.6%	31.7%
McKinley Elementary	883	75.4%	65.2%	55.8%
Roosevelt Elementary	951	87.4%	77.8%	75.4%
Will Rogers Elementary	830	57.1%	47.5%	35.2%
John Adams Middle	839	66.4%	45.1%	17.1%
Lincoln Middle	907	82.6%	68.9%	52.7%
Santa Monica High	823	75.5%	59.3%	24.1%

Source: California Department of Education-Dataquest 2012-13

Other ways to measure performance include examination of Scholastic Aptitude Test (SAT) data. This data is typically available for students preparing to enter college. As shown in Table 2, students who took the SAT performed evenly over time at both high schools, with both groups consistently scoring above national and state averages.

Table 2: Scholastic Aptitude Test Performance, 2010-2013

		Malibu High	Santa Monica	CA
2010-11	Reading	548	526	495
	Math	552	545	513
	Writing	556	538	494
2011-12	Reading	554	536	491
	Math	556	552	510
	Writing	556	545	491
2012-13	Reading	538	532	492
	Math	544	541	508
	Writing	544	533	489

Source: California Department of Education, DataQuest

Schools within the Malibu and Santa Monica areas show proof of solid educational programs. Students perform well on standardized tests, participate and achieve at high levels on Advanced Placement courses and tests, and score well on the SAT when compared with national and state averages. Furthermore, the achievement and outcomes results are fairly comparable between the two areas, with slightly higher results at schools within the Malibu area. For this reason, we anticipate that reorganization would not negatively impact students’ educational performance, presuming that programs remain comparable. While responses to the proposed reorganization cannot be predicted, nor can the impact of such responses, this report does not find any violations of the criterion when considering core educational performance alone.

Advanced Placement/Honors Programs

Participation and success in Honors or Advanced Placement (AP) classes provides another basis for comparing educational programs at the two comprehensive high schools.¹ Both Malibu High and Santa Monica High offer a wide range of honors and AP classes in English, math, science, social science, foreign language, and the arts. While Santa Monica High has far more students in grades 9 through 12 than Malibu High, participation levels in the AP courses and the AP test process are comparable. See Table 3 below. Notably, compared to the statewide AP test passage rate of 58.1 percent, both Malibu High and Santa Monica High have significantly higher AP test passage rates. Current programs are proposed to be continued at both districts, therefore there is no anticipated impact on the availability of AP courses.

Table 3: Advanced Placement (AP) Test Participation and Performance, 2012-13

	Malibu High	Santa Monica High
Number of Exam Takers	259	942
Passage Rate (Score of 3, 4, or 5)	72.5%	71.2%

Source: California Department of Education

Special Programs

School districts are responsible for teaching every student within their boundaries, with few exceptions. In order to do so, they must provide special programs for students with physical, mental, and learning disabilities; English Language Learners; gifted and talented students; and students otherwise unable to succeed in the traditional school setting without additional counseling, assistance, and opportunities. The District currently meets the needs of all such students. However, as noted earlier, the current approach includes a moderate to significant centralized support function. As a result, the proposed reorganization would require the newly formed Malibu school district to address how it will develop programs of support for such students as in most cases. The budget (see Attachment A) includes all current site level staffing as well as positions that are centralized to provide support for English Language Learners, students with disabilities, and students in need of alternative education programs. Comparable programs can continue to be offered with smaller subsets of students, but there will be a financial impact based on the loss of program scale.

Special Education

The District is currently a member of the Tri-City Special Education Local Planning Area (SELPA), which also includes Culver City Unified and Beverly Hills Unified School Districts. Under the proposed reorganization, the newly formed Malibu district would be presented with the option to either become a member of the existing SELPA or seek membership in another SELPA. However, the newly formed Malibu district must address how it will provide services to students who currently attend a school that post-reorganization would be in the Santa Monica district. For instance, this would include preschool students who are enrolled in the severe autism preschool program located in Santa Monica. Similarly, for those students who live within the Santa Monica attendance area that currently attend Malibu High, in order to access a smaller school community as an accommodation to meet a special need (e.g., anxiety disorder, school phobia), an alternative placement or inter-district transfer option would be necessary. The scope of this analysis did not include reviewing the SELPA allocation and it appears that the District has allocated special education revenue and costs based a split of overall enrollment. This methodology will need to be confirmed to ensure both revenue and costs are accurately included in both the district’s budget estimates.

¹ Advanced Placement (AP) programs, administered by The College Board, allow high school students to take college-level classes at their high schools and then opt out of similar classes in college by passing the AP exams.

English Language Learners

In 2013-14, there were approximately 972 students, 8.6 percent of all students, classified as an English Language Learner (EL) student. There are significant variations in the number and density of ELs within the District's schools. Under the proposed reorganization, approximately 9.5 percent of the students attending the Santa Monica district area would be ELs compared to 4.4 percent in the proposed Malibu district area. While the reorganization would have little to no impact on the distribution of EL students, there could be some impact on the approach taken to address the needs of such students. Given the small numbers of ELs at some schools, it can be challenging to design a program of support. Under the current model of support, there are centralized supports, such as a Bilingual Community Liaison Program and EL professional development, which benefit all schools, including those with small number of ELs and these supports are included in the proposed budget for Malibu Unified School District. Additionally, there are well documented and highly effective models for addressing the needs of small and dispersed EL populations that can also be considered as an alternative to the services included in the proposed budget to offer required services for this population.

Alternative Schools

The District currently operates one continuation high school (Olympic) and one alternative K-8 school (Santa Monica Alternative). Both programs are on campuses within the area that would become the Santa Monica district area. As a result, it would be necessary for the Malibu district area to create options for students requiring alternative education placements. Given the small numbers of students likely to be served by such programs, it may be most cost-effective to develop an inter-district agreement to provide such support. However, if such an agreement cannot be developed, or there is a strong preference to operate such programs within the newly formed district, there are several operating considerations. The considerations include identifying space within an existing facility where programs can be offered in a self-contained manner, cost-effective staffing, and selecting and implementing an effective program of support. The proposed budget includes funding for a student intervention specialist that could support coordinating services for students needing alternative education placements.

Conclusion

The proposed reorganization would not result in shifting of programs or necessarily require restructuring of existing program offerings within schools as shown in the budget proposal in Attachment A. The proposed budget includes continuation of all programs and staffing levels that are currently in place in Malibu, and additionally, offers a similar level of centralized services to complement site level services. It is difficult to predict other impacts reorganization could have upon instructional quality and student outcomes. Such impacts would largely result from administrative decisions, not from the reorganization itself. However, there needs to be further analysis on the special education program revenue and district of residence data to determine if the proposed budget can support actual needs. Additionally, the provision of an alternative education option for students in the Malibu district area will likely need to be met in a school within a school model or on an inter-district basis with neighboring districts.

This study finds that if provisions are made to ensure that all students' learning needs are met, then this criterion is substantially met.

Sources Consulted

- California Department of Education online databases (Dataquest, EdData)
- Santa Monica-Malibu Unified School District administration officials
- AMPS representative

Criterion 9: No Substantial Negative Impact on District Fiscal Management or Status

The proposed reorganization will continue to promote sound fiscal management and not cause a substantial negative effect on the fiscal status of the proposed district or any existing district affected by the proposed reorganization.

- Education Code Section 35753(a)(9)

Description

In addition to Education Code Section 35753(a)(9) and CCR, Title 5, Section 18573(a)(2), the State Board of Education recommends that Education Code Section 33127, the State Standards and Criteria, be used to evaluate the financial condition of school districts affected by proposed reorganizations. Three basic criteria are used for these State Standards and Criteria to determine the district's solvency:

- Cash position at the end of the year
- Fund Balance position at the end of the year
- Three-year projection of fund balance.

To comply with these criteria, an initial budget is projected for each of the new districts Unrestricted General Fund based on 2014-15 2nd Interim financial information. This projected budget directly addresses the year-end fund balance position and assumes a similar impact on the cash position. This study includes a three-year fund balance for the proposed Malibu Unified School District. The analysis for the proposed Santa Monica Unified School District is being prepared by staff at the Santa Monica-Malibu Unified School District (District) and will be provided for consideration under separate cover.

Analysis

The District's 2014-15 2nd Interim budget reflects a positive ending balance for the combined general fund (restricted and unrestricted funds). It is important to note that while the reserve level for the combined fund is approximately 14.2 percent, the unrestricted general fund is deficit spending by approximately \$4.2 million dollars in 2014-15. Table 4 below provides a summary of the 2014-15 revenue and expenditures for the District.

**Table 4: Summary of Baseline Financial Data Santa Monica-Malibu USD
2014-15 2nd Interim Restricted and Unrestricted Sources**

REVENUES	UNRESTRICTED	RESTRICTED	TOTAL
LCFF /State	75,609,284		75,609,284
Federal Revenues		4,775,614	4,775,614
Other State Revenues	2,587,916	937,031	3,524,947
Other Local Revenue	33,758,154	10,315,278	44,073,432
Total Revenue	111,955,354	16,027,923	127,983,277
EXPENDITURES	UNRESTRICTED	RESTRICTED	TOTAL
Certificated Salaries	47,147,825	12,246,804	59,394,629
Classified Salaries	16,310,179	9,160,467	25,470,646
Employee Benefits	20,784,898	7,183,805	27,968,703
Books and Supplies	2,610,644	4,445,762	7,056,406
Services & Other Operating Costs	8,717,669	7,031,041	15,748,710
Capital Outlay	201,619	234,526	436,145
Other Outgo	-1,010,533	558,332	-452,201
Total Expenditures	94,762,301	40,860,737	135,623,038
Excess (Deficiency) of Revenues to Expenditures	17,193,053	-24,832,814	-7,639,761
OTHER FINANCING SOURCES	UNRESTRICTED	RESTRICTED	TOTAL
Interfund Transfers	-445,494		-445,494
Other Sources	137,119		137,119
Contributions	-21,172,610	21,172,610	0
Total Other Financing Sources	-21,480,985	21,172,610	-308,375
Net Increase (Decrease) In Fund Balance	-4,287,932	-3,660,204	-7,948,136
Beginning Balance	21,775,362	5,502,052	27,277,414
ENDING FUND BALANCE JUNE 30, 2015	17,487,430	1,841,848	19,329,278

Source: 2014-15 Second Interim Report Santa Monica-Malibu Unified School District

Criterion 5 of this report discussed changes in revenue for the proposed reorganization. While the transition to basic aid status increases the per ADA funding there are expenditure increases for the proposed reorganization that include costs for establishing centralized administration and creating programs to meet the needs of English Language Learners, students with disabilities, alternative education options, home-to-school transportation, and establishing facilities and infrastructure for a district office, maintenance yard, and possibly a central kitchen. Additionally, it is important to note that there is the potential for costs associated with contract negotiations for both districts post reorganization. Attachment B includes an excerpt from The Handbook that explains the legal rights of employees under reorganization.

As noted under the analysis in Criterion 5, Malibu Unified School District would be considered a basic aid district in that its local property tax revenue would exceed its state determined LCCF entitlement. The transition to basic aid status would result in approximately \$4,825,347 in excess property tax revenue.

The financial viability of the newly formed Malibu Unified and Santa Monica Unified School Districts following reorganization would be largely dependent upon management decisions. The analysis for the multi-year budget in the report is focused on the proposed Malibu Unified School District. The assumptions, reflected in Table 5 below, include annual adjustments for the cost of step/column and health and welfare. It is important to note that post unification, there could be potential adjustments to salary schedules which would increase compensation costs. However, any changes would be subject to negotiations between the newly elected school boards and the newly established collective bargaining units following a decision to reorganize.

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Table 5. Multi-year Assumptions: Proposed Malibu USD (Post-Reorganization)

Factor	2014-15	2015-16	2016-17	2017-18
Statutory COLA-Department of Finance (DOF)	0.85%	1.58%	2.17%	2.43%
LCFF FUNDING BASE- FCMAT Calculator Universal Assumptions				
Grades K-3	7,011	7,122	7,277	7,454
Grade Span Adjustment, Grades K-3-10.4%	729	741	757	775
Grades 4-6	7,116	7,228	7,385	7,564
Grades 7-8	7,328	7,444	7,606	7,791
Grades 9-12	8,491	8,625	8,812	9,026
Grade Span Adjustment, Grades 9-12-2.4%	221	224	229	235
% OF GAP FUNDING /DOF	29.15%	32.19%	23.71%	26.43%
Enrollment Projection	1,886	1,836	1,768	1692
P2 ADA Projection	1,783	1,756	1,691	1607
Funded ADA(higher of current or prior year P2 ADA)	1,852	1,783	1,756	1691
Federal Revenues	0	0	0	0
Property Tax increase		3%	3%	3%
Mandated Block Grant K-8 per ADA	28	28	28	28
Mandated Block Grant 9-12 per ADA	56	56	56	56
Prior Year Mandated Costs per ADA	60	60	60	60
Unrestricted Lottery(annual ADA)	128	128	128	128
City of Santa Monica	0	0	0	0
Measure "R"	0	0	0	0
City of SM /Prop. Y	0	0	0	0
Vision For Student Success (VSS)	0	0	0	0
Salary Increase - Certificated	0	0	0	0
Salary Increase - Classified	0	0	0	0
Step and Column Incr. Certificated	1.50%	1.50%	1.50%	1.50%
Step & Column Incr. - Management	1.50%	1.50%	1.50%	1.50%
Step & Column Incr. - Classified	1.50%	1.50%	1.50%	1.50%
STRS Rate	8.88%	10.73%	12.58%	14.43%
PERS Rate	11.77%	11.80%	13.05%	16.60%
Health/Welfare/FTE for proposed centralized FTE	13,000	13,000	13,000	13,000
Health/Welfare - Annualized	3.00%	7.00%	7.00%	7.00%
State Unemployment	1.00%	1.00%	1.00%	1.00%
Workers' Compensation	3.00%	3.00%	3.00%	3.00%
Other Postemployment Benefits	1.25%	1.25%	1.25%	1.25%
Indirect Cost Rate	5.73%	6.28%	6.28%	6.28%
Interest Rate	0.70%	0.70%	0.70%	0.70%
Consumer Price Index	2.00%	2.40%	2.70%	2.80%
Ongoing Maintenance	3.00%	3.00%	3.00%	3.00%
Reserve for Uncertainties	3.00%	3.00%	3.00%	3.00%

Source: FCMAT Calculator, School Services of California Dartboard, District provided data

The multi-year projection in Table 6 below includes staffing for centralized services that are scaled for the size of the District, as well as site level services that are detailed in Attachment A. While there is a wide array of well staffed centralized programs, support, and services included in the multi-year projections, the cost of the proposed services reflects that the Malibu Unified School District would be deficit spending in each year of the projection. In order to create a viable multi-year projection, additional local financial support (e.g., parcel tax) would be necessary.

The multiyear projection in Table 8 includes parcel tax revenue and while the proposed expenditures exceed revenues, in two out of four years of the projection the District would maintain the required level of reserve for economic uncertainties in each year of the projection. Additional evaluation and expenditure decisions could identify further reductions to reduce the level of deficit spending. There are several potential long-term costs, such as changes to salary schedules, as well as several one-time, or limited term costs, for the Malibu Unified School District that would be necessary as a result of the reorganization that will need to be considered. Such costs would include the need to have facilities for a district office, maintenance and transportation, and possible child nutrition services. A possible funding source for such expenditures might be the ending fund balance/reserves, but caution needs to be exercised when considering expenditures funded from ending funding or reserves.

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Table 6. Multi-year Projection Unrestricted General Fund for Proposed Malibu USD (Post-Reorganization-no parcel tax)

Description	2014-15 2nd INTERIM BUDGET	2015-16 PROJECTED BUDGET	2016-17 PROJECTED BUDGET	2017-18 PROJECTED BUDGET
Revenue				
Property Tax	17,371,428	17,892,571	18,429,348	18,982,228
Education Protection Account (EPA)	370,400	356,600	351,200	338,200
LCFF Transfer to Fund 11 & Fund 14	-73,084	-73,084	-73,084	-73,084
LCFF Transfer to Charter School & County Specialized secondary school	0	0	0	0
LCFF Minimum State Aid	273,745	273,745	273,745	273,745
Subtotal LCFF Funding	17,942,489	18,449,832	18,981,209	19,521,089
Other Federal	0			
Lottery	237,107	224,768	216,448	205,696
Mandated Reimbursement Block Grant	188,529	66,948	0	0
Other State Revenue	0	0	0	0
Parcel tax	0	0	0	0
Prop. Y / City of SM	0	0	0	0
Joint Use Agreement/ City of SM	0	0	0	0
All Other Local Income	200,000	200,000	200,000	200,000
Vision for Student Success (VSS)	0	0	0	0
Other Sources /Proceed from Capital Lease	0	0	0	0
Local General Fund Contribution	-3,235,031	-3,348,257	-3,455,401	-3,590,162
TOTAL REVENUE	15,333,094	15,593,291	15,942,256	16,336,624
Expenditure				
Certificated Salary	8,674,819	8,804,941	8,937,015	9,071,071
Classified	2,961,948	3,006,377	3,051,473	3,097,245
Benefits	3,941,600	4,290,999	4,695,797	5,193,017
Supplies/Books	796,477	815,592	837,613	861,067
Other Operational Costs	1,570,479	1,608,172	1,651,591	1,697,836
Capital Outlay	50,000	51,200	52,583	54,054
State Special Schools	0	0	0	0
Debt Services	0	0	0	0
Indirect	0	0	0	0
Interfund Transfer Out to FUND 12	0	0	0	0
Interfund Transfer Out to FUND 13	0	0	0	0
LCAP Minimum Proportionality Percentage	Need to establish	Need to establish	Need to establish	Need to establish
Mandated / Common Core Program		66,948	0	0
TOTAL EXPENDITURE	17,995,323	18,644,229	19,226,072	19,974,290
Increase (Decrease) Fund Balance	-2,662,229	-3,050,937	-3,283,816	-3,637,666
Beginning Fund Balance	4,555,328	1,893,099	-1,157,838	-4,441,654
Ending Fund Balance	1,893,099	-1,157,838	-4,441,654	-8,079,320
Reserve - Revolving cash, Store	5,000	5,000	5,000	5,000
Reserve - 50% of Gap Funding 16-17	0	0	0	0
Reserve - Deficit Spending 15-16	0	0	0	0
Reserve - Deficit Spending 16-17	0	0	0	0
3% Contingency Reserve	696,600	718,563	739,178	765,596
Unappropriated Balance	1,191,499	-1,881,401	-5,185,832	-8,849,916

Source: 2014-15 2nd Interim Report Santa Monica-Malibu Unified School District, District provided data

Additional assumptions for the data reflected in Table 6, include the following:

- Property tax calculation based on division of assessed value (AV), City of Malibu and unincorporated Los Angeles County equal 33.6 percent AV and 33.6 percent of 2014-15 estimated property tax revenue
- All redevelopment agency revenue remains with the proposed Santa Monica Unified School District
- No parcel revenue
- No local revenue except for, \$200,000/year from City of Malibu for facility use
- \$200/ADA for Education Protection Act
- Minimum state aid for categorical aid subsumed by LCFF
- Local contribution funds the Maintenance/Grounds and Special Education Programs
- Indirect cost rate not included in model
- Transfers to support Adult Education and Deferred Maintenance
- 2014-15 site level budgets for Cabrillo, Point Dume, Webster, Malibu Middle, and Malibu High school were used to estimate site level staff and operation costs.
- Costs for centralized programs are included and scaled for the size of the District. Centralized costs track to the centralized program staffing budget created by Santa Monica-Malibu Unified School District (see Attachment A).

Table 7. Multi-year Assumptions: Proposed Malibu USD (Post-Reorganization) Parcel Tax

Factor	2014-15	2015-16	2016-17	2017-18
Statutory COLA-Department of Finance (DOF)	0.85%	1.58%	2.17%	2.43%
LCFF FUNDING BASE- FCMAT Calculator Universal Assumptions				
Grades K-3	7,011	7,122	7,277	7,454
Grade Span Adjustment, Grades K-3-10.4%	729	741	757	775
Grades 4-6	7,116	7,228	7,385	7,564
Grades 7-8	7,328	7,444	7,606	7,791
Grades 9-12	8,491	8,625	8,812	9,026
Grade Span Adjustment, Grades 9-12-2.4%	221	224	229	235
% OF GAP FUNDING /DOF	29.15%	32.19%	23.71%	26.43%
Enrollment Projection	1,886	1,836	1,768	1692
P2 ADA Projection	1,783	1,756	1,691	1607
Funded ADA(higher of current or prior year P2 ADA)	1,852	1,783	1,756	1691
Federal Revenues	0	0	0	0
Property Tax increase		3%	3%	3%
Mandated Block Grant K-8 per ADA	28	28	28	28
Mandated Block Grant 9-12 per ADA	56	56	56	56
Prior Year Mandated Costs per ADA	60	60	60	60
Unrestricted Lottery(annual ADA)	128	128	128	128
City of Santa Monica	0	0	0	0
Parcel Tax TBD	376	376	376	376
City of SM /Prop. Y	0	0	0	0
Vision For Student Success (VSS)	0	0	0	0
Salary Increase - Certificated	0	0	0	0
Salary Increase - Classified	0	0	0	0
Step and Column Incr. Certificated	1.50%	1.50%	1.50%	1.50%
Step & Column Incr. - Management	1.50%	1.50%	1.50%	1.50%
Step & Column Incr. - Classified	1.50%	1.50%	1.50%	1.50%
STRS Rate	8.88%	10.73%	12.58%	14.43%
PERS Rate	11.77%	11.80%	13.05%	16.60%
Health/Welfare/FTE for proposed centralized FTE	13,000	13,000	13,000	13,000
Health/Welfare - Annualized	3.00%	7.00%	7.00%	7.00%
State Unemployment	1.00%	1.00%	1.00%	1.00%
Workers' Compensation	3.00%	3.00%	3.00%	3.00%
Other Postemployment Benefits	1.25%	1.25%	1.25%	1.25%
Indirect Cost Rate	5.73%	6.28%	6.28%	6.28%
Interest Rate	0.70%	0.70%	0.70%	0.70%
Consumer Price Index	2.00%	2.40%	2.70%	2.80%
Ongoing Maintenance	3.00%	3.00%	3.00%	3.00%
Reserve for Uncertainties	3.00%	3.00%	3.00%	3.00%

Source: FCMAT Calculator, School Services of California Dartboard, District provided data

Table 8: Multi-year Projection Unrestricted General Fund for Proposed Malibu USD (Post-Reorganization-Parcel tax)

Description	2014-15 2nd INTERIM BUDGET	2015-16 PROJECTED BUDGET	2016-17 PROJECTED BUDGET	2017-18 PROJECTED BUDGET
Revenue				
Property Tax	17,371,428	17,892,571	18,429,348	18,982,228
Education Protection Account (EPA)	370,400	356,600	351,200	338,200
LCFF Transfer to Fund 11 & Fund 14	-73,084	-73,084	-73,084	-73,084
LCFF Transfer to Charter School & County Specialized secondary school	0			
LCFF State Aid	273,745	273,745	273,745	273,745
Subtotal LCFF Funding	17,942,489	18,449,832	18,981,209	19,521,089
Other Federal	0			
Lottery	237,107	224,768	216,448	205,696
Mandated Reimbursement Block Grant	188,529	66,948	0	0
Other State Revenue	0	0	0	0
Parcel Tax-Measure TBD	3,188,480	3,188,480	3,188,480	3,188,480
Prop. Y / City of SM	0	0	0	0
Joint Use Agreement/ City of SM	0	0	0	0
All Other Local Income	200,000	200,000	200,000	200,000
Vision for Student Success (VSS)	0	0	0	0
Other Sources /Proceed from Capital Lease	0	0	0	0
Local General Fund Contribution	-3,235,031	-3,348,257	-3,455,401	-3,590,162
TOTAL REVENUE	18,521,574	18,781,771	19,130,736	19,525,103
Expenditure:				
Certificated Salary	8,674,819	8,804,941	8,937,015	9,071,071
Classified	2,961,948	3,006,377	3,051,473	3,097,245
Benefits	3,941,600	4,290,999	4,695,797	5,193,017
Supplies/Books	796,477	815,592	837,613	861,067
Other Operational Costs	1,570,479	1,608,170	1,651,591	1,697,836
Capital Outlay	50,000	51,200	52,582	54,055
State Special Schools		0		
Debt Services				
Indirect				
Interfund Transfer Out to FUND 12				
Interfund Transfer Out to FUND 13				
LCAP Minimum Proportionality Percentage	Need to established	Need to established	Need to established	Need to established
Mandated / Common Core Program		66,948	0	0
TOTAL EXPENDITURE	17,995,323	18,644,229	19,226,072	19,974,290
Increase (Decrease) Fund Balance	526,251	137,542	-95,336	-449,187
Beginning Fund Balance	4,555,328	5,081,579	5,219,121	5,123,785
Ending Fund Balance	5,081,579	5,219,121	5,123,785	4,674,598
Reserve - Revolving cash, Store	5,000	5,000	5,000	5,000
Reserve - 50% of Gap Funding 16-17				
Reserve - Deficit Spending 15-16				
Reserve - Deficit Spending 16-17				
3% Contingency Reserve	696,600	718,563	739,178	765,596
Unappropriated Balance	4,379,979	4,495,558	4,379,607	3,904,002

Source: 2014-15 2nd Interim Report Santa Monica-Malibu Unified School District, District provided data

Additional assumptions for the data reflected in Table 8, include the following:

- Property tax calculation based on division of assessed value (AV), City of Malibu and unincorporated Los Angeles County equal 33.6 percent AV and 33.6 percent of 2014-15 estimated property tax revenue
- All redevelopment agency revenue remains with the proposed Santa Monica Unified School District
- **Parcel revenue-\$379/parcel based on 8,480 parcels**
- No local revenue except for \$200,000/year from City of Malibu for facility use
- \$200/ADA for Education Protection Act
- Minimum state aid for categorical aid subsumed by LCFF
- Local contribution funds the Maintenance/Grounds and Special Education Programs
- Indirect cost rate not included in model
- Transfers to support Adult Education and Deferred Maintenance
- 2014-15 site level budgets for Cabrillo, Point Dume, Webster, Malibu Middle, and Malibu High school were used to estimate site level staff and operation costs.
- Costs for centralized programs are included and are scaled for the size of the District. Centralized costs track to the centralized program staffing budget created by Santa Monica-Malibu Unified School District (see Attachment A).

Other Factors

As noted above, Table 6 does not include measure “R” parcel tax revenue. While Education Code 35560 does address the allocation of funds, property and qualified special taxes, it does not explicitly address how to treat a parcel tax given the circumstances of the proposed reorganization, nor is there known precedent that can be followed. A parcel tax is a critical element to deem the reorganization viable as illustrated in Table 8. AMPS has consulted legal counsel (see Attachment C) which has offered an opinion on including a special tax as a condition of unification.

Conclusion

Based on 2014-15 and Interim Report, the financial condition of the current Santa Monica-Malibu Unified School District appears to be financially viable for 2014-15 and the next two fiscal years. The multi-year budget for the proposed Malibu Unified School District reflects deficit spending in all years without the inclusion of a parcel tax. As such, AMPS has shared that they plan to include a special tax as a condition of the unification. Additionally, decisions on the overall level of staffing for central administrative and centralized programs will need to be made in order to maintain the required level of reserves for economic uncertainties in each year of projection. Lastly, the management of each district will need to be mindful that staffing and programmatic decisions and contract negotiations will need to maximize organizational efficiencies and maintain fiscal solvency in order to optimize the educational opportunities for its students.

Sources Consulted

- 2014-15 2nd Interim Budget-Santa Monica-Malibu Unified School District
- Dataquest and California Department of Education Funding exhibits
- District provided data and staffing estimates
- Fiscal Crisis Management Assistance Team-LCCF Calculator

Attachment A

UNRESTRICTED GENERAL FUND				
Superintendent/Board	FTE	Object Code	Cost	Assumptions
Superintendent	1	1310	200,000	Suggested salary for Superintendent and average cost/FTE for clerical. Board member stipends \$4,800/year plus full benefits. Health and welfare estimated at \$13,000/FTE. Statutory benefits estimated at 16% for certificated and 25% for classified. Supplies and contracts 20% of Santa Monica-Malibu budget.
Board Stipends	5	2300	24,000	
Clerical Support	1	2410	61,000	
Benefits		3XXX	144,250	
Supplies		4XXX	158,040	
Contracts/Services		5XXX	291,660	
TOTAL			878,950	

Human Resources	FTE	Object Code	Cost	Assumptions
Teachers Subs-District wide		1160	204,756	Substitute costs 20% of Santa Monica-Malibu. Statutory benefits estimated at 16% for certificated and 25% for classified. Supplies and contracts 20% of Santa Monica-Malibu budget.
Assistant Superintendent		1311	0	
BTSA Coordinator- see Director of Education Services		1316	0	
Clerical Support**		2410	0	
Classified Substitutes District-wide		2XXX	15,000	
Benefits		3XXX	36,511	
Supplies		4XXX	5,430	
Contracts/Services		5XXX	35,420	
TOTAL			297,117	

Assuming no Personnel Commission and employee relations costs

Educational Services	FTE	Object Code	Cost	Assumptions
Independent Study Teacher	1	1110	78,300	Suggested salary for CAO. Average cost/FTE for Director, clerical, ROP, and independent study. Elementary Summer School estimate at 6 teachers, 1 Administrator, 1 clerical; 4 hours/day 4 week session. Health and welfare estimated at \$13,000/FTE. Statutory benefits estimated at 16% for certificated and 25% for classified. Textbooks estimated at 25%, Music Coordinator, bilingual stipends, supplies and contracts 20% of Santa Monica-Malibu budget.
ROP Teachers	1.2	1100	93,960	
Elementary Summer School-teacher hourly		1130	30,000	
Sub Teachers PD		1160	17,000	
Bilingual Stipends		1190	10,000	
Director- Student Services/SpEd/Alternative Ed.	1	1314	112,000	
Music Coordinator-stipend	0.2	1190/1316	21,656	
Chief Academic Officer	1	1321	140,000	
Clerical Support **	2	2410	104,000	
Summer School- Clerical hourly		2430	2,500	
Bilingual Community Liaison-included in Malibu Site Cost	1	2925	0	
Benefits		3XXX	187,692	
Textbooks		41XX	250,000	
Supplies		4XXX	8,350	
Contracts/Services		5XXX	28,700	
TOTAL			1,084,158	
** possible area of reduction				
Community Liaison	FTE	Object Code	Cost	Assumptions
Sub Teachers		1160	20,000	Community Liaison, 1 FTE, average salary cost/FTE. Health and welfare estimated at \$13,000/FTE. Statutory benefits 16% for certificated, 25% for classified. Substitute teachers, students assistants, supplies and services 20 % of Santa Monica-Malibu budget.
Bilingual Community Liaison	1	2925	42,500	
Student Assistants		2933	12,400	
Benefits		3XXX	23,625	
Supplies		4XXX	33,160	
Contracts/Services		5XXX	42,840	
TOTAL			174,525	

Music	FTE	Object Code	Cost	Assumptions
Elementary Music Teachers	1.6	1110	120,108	Elementary Music FTE, 1.6 FTE, average salary cost/FTE. Health and welfare estimated at \$13,000/FTE. Statutory benefits 16% for certificated, 25% for classified. Hourly, substitute teachers, activity specialists, special services and security , supplies and services 20 % of Santa Monica-Malibu budget.
Hourly		1130	500	
Sub Teachers		1160	1,600	
Extra duty		1170	2,140	
Physical Activity Specialist		2161	6,000	
Security-Overtime		2244	500	
Special Services-classified		2917	100	
Benefits		3XXX	42,346	
Supplies		4XXX	1,212	
Contracts/Services		5XXX	21,492	
TOTAL			195,998	
Resource 07090				
Resource 07090	FTE	Object Code	Cost	Assumptions
Teacher	0.6	1110	42,270	Support Teacher/Coach .6 FTE, Instructional Assistant, 1 FTE, Student Intervention Specialist 1FTE, average salary cost/FTE. Health and welfare estimated at \$13,000/FTE. Statutory benefits 16% for certificated, 25% for classified, supplies 20 % of Santa Monica-Malibu budget.
Coordinator -See Ed Services				
Instructional Assistants- non FT		2120	0	
Student Intervention Specialist	1	2914	30,758	
Bilingual Community Liaison-see above				
Benefits		3XXX	28,490	
Supplies		4XXX	1,774	
TOTAL			103,292	

Student Services	FTE	Object Code	Cost	Assumptions
Director	0	1314	0	Home Hospital hourly teachers, supplies and services 20 % of Santa Monica-Malibu budget. Statutory benefits 16% for certificated, 25% for classified. Director and clerical support are included in Educational Services budget.
Home Hospital Teachers Hourly		1130	20,000	
Clerical Support	0	2410/2910	0	
Benefits		3XXX	3,200	
Supplies		4XXX	1,400	
Contracts/Services		5XXX	19,200	
TOTAL			43,800	

Health Services	FTE	Object Code	Cost	Assumptions
Nurse	1	1214	89,223	Nurse 1 FTE, Nurse Asst. 1.3, average salary cost/FTE. Health and welfare estimated at \$13,000/FTE. Statutory benefits 16% for certificated, 25% for classified, hourly supplies 20 % of Santa Monica-Malibu budget.
Nurse Hourly		1234	2,500	
Clerical-Nurse Asst	1.3	2420	39,896	
Clerical Support	0	2900	0	
Benefits		3XXX	54,551	
Supplies		4XXX	1,100	
Contracts/Services		5XXX	1,020	
TOTAL			188,290	

Insurance	FTE	Object Code	Cost	Assumptions
Supplies		4XXX	13,800	Supplies, contracts and equipment 20% of Santa-Monica Budget. Malibu Unified School District will need to procure property/liability insurance.
Contracts/Services		5XXX	270,407	
Equipment		6XXX	5,000	
TOTAL			289,207	

Theater Operations and Facilities	FTE	Object Code	Cost	Assumptions
Physical Activity Specialist	1.4	2111	46,488	Physical Activity Specialist 1.4 FTE, average salary cost/FTE. Health and welfare estimated at \$13,000/FTE. Statutory benefits 25% for classified, hourly supplies 20 % of Santa Monica-Malibu budget.
Benefits		3XXX	29,822	
Supplies		4XXX	15,000	
TOTAL			91,310	

Business/Fiscal Services	FTE	Object Code	Cost	Assumptions
CBO	1	2300	140,000	Suggested salary CBO, 1FT current salary, Technicians 2 FT average salary cost/FTE. Health and welfare estimated at \$13,000/FTE. Statutory benefits 25% for classified, hourly supplies 20 % of Santa Monica-Malibu budget.
Technicians	2	2410	113,930	
Purchasing Technician	0	2410	0	
Benefits		3XXX	102,483	
Supplies		4XXX	4,900	
Contracts/Services		5XXX	87,470	
TOTAL			448,783	

Information Technology	FTE	Object Code	Cost	Assumptions
Coordinator*	1	2300	133,000	Coordinator current salary, Technicians 3 FTE, average salary cost/FTE. Health and welfare estimated at \$13,000/FTE. Statutory benefits 25% for classified, hourly supplies 20 % of Santa Monica-Malibu budget. Equipment flat amount estimate.
Technicians	3	2910	152,857	
Benefits		3XXX	123,464	
Supplies		4XXX	7,875	
Contracts/Services		5XXX	99,260	
Equipment		6XXX	20,000	
TOTAL			536,456	

* salary could be adjusted

Home to School and Special Education Transportation	FTE	Object Code	Cost	Assumptions
Director-shared position with Maintenance and Operations	0	2314	0	1 FTE of a Director level position and clerical support will be shared between Maintenance, Operations and transportation(MOT). There are no home to school transportation services offered in Santa Monica; therefore all costs of home to school transportation budget assumed by Malibu. Sp Ed. transportation costs based on split of routes.
Clerical Support-Dispatch	1	2410	62,208	
Bus Drivers	11.25	2218	406,275	
Bus Driver Mechanic-hourly		2238	20,000	
OT		2248	20,000	
Benefits		3XXX	259,205	
Supplies		4XXX	160,000	
Contracts/Services		5XXX	150,000	
Equipment		6XXX	25,000	
TOTAL			1,102,688	

Utilities	FTE	Object Code	Cost	Assumptions
Natural Gas		5XXX	34,060	20% of SMMUSD budget
Light and Power		5XXX	249,950	
Water		5XXX	140,000	
Stormwater Use		5XXX	8,000	
Waste Disposal		5XXX	52,000	
Alarm Fire/Silent		5XXX	4,000	
Communication		5XXX	35,000	
TOTAL			523,010	

Site Budget-Current Staffing Costs-District Provided Data	FTE	Object Code	Cost	Assumptions
Certificated		1XXX	7,426,306	Consider staffing reserve for K-3 Grade Span. Budget model follows current level for base site staff. Costs for Vision for Student Success are not included. Current per student site supply allocation are included.
Classified		2XXX	1,571,036	
Benefits		3XXX	2,905,961	
Supplies		4XXX	134,436	
Services		5XXX	0	
Total			12,037,739	

TOTAL UNRESTRICTED RESOURCE 17,995,323

RESTRICTED GENERAL FUND

Facilities, Maintenance and Grounds	FTE	Object Code	Cost	Assumptions
Maintenance Workers	2	2210	120,000	Director of MOT, 1 FTE current salary, Maintenance workers 2 FTE, Grounds 2 FTE, Clerical 1 FTE, average salary cost/FTE. Health and welfare estimated at \$13,000/FTE. Statutory benefits 25% for classified, hourly supplies 20 % of Santa Monica- Malibu budget.
Custodian-included in site costs	0	2212	0	
Grounds	2	2213	83,600	
Director Maintenance Operations Transportation*	1	2300	85,020	
Clerical Support	1	2410	48,744	
Benefits		3XXX	162,341	
Supplies		4XXX	91,035	
Contracts/Services		5XXX	119,326	
Total			710,066	

Special Education-split on ADA not on student count

	FTE	Object Code	Cost	Assumptions
Compensation includes certificated, classified and benefits		1110	3,482,229	Revenue and staffing are split based on enrollment. This model will need to be examined in more detail to ensure that both revenue and costs are allocated based on current SELPA revenue allocation plan and student of residence data.
Supplies		4XXX	4,000	
Contracts/Services		5XXX	398,874	
Unrestricted			67,721	
Total			3,952,824	

Restricted site budgets-current models used

	FTE	Object Code	Cost	Assumptions
Certificated		1110	14,607	Budget is based on District provided data.
Classified		2XXX	28,325	
Benefits		3XXX	6,774	
Supplies		4XXX	204,454	
Services		5XXX	136,819	
Total			390,979	

*salary could be adjusted

Local Contributions

3,235,031

APPENDIX B

SMMUSD CFO Forecast for a Santa Monica Unified School District

(SMMUSD Second Interim Baseline)

2013-14 & 14-15 P2 ADA

	2013-14 CBEDS	2013-14 P2 ADA	RATE	2014-15 FUNDING		2014-15 CBEDS		
MALIBU								
PRE K - 3	504	473.54	0.940	7740	3,665,199.60	503	477.79	0.9499
4-6	486	465.51	0.958	7116	3,312,569.16	418	397.82	0.9517
7-8	297	285.42	0.961	7238	2,065,869.96	295	287.08	0.9732
9-12	701	621.01	0.886	8712	5,410,239.12	659	607.62	0.922
	7	6.95	0.993	7701.5	53,510.02	11	11.00	1
	1988	1852.428			14,453,877.84	1886	1781.31	0.9445
SANTA MONICA								
PRE K-3	2807	2720.86	0.969	7740	21,059,456.40	2807	2703.60	0.9632
4-6	2045	1982.71	0.970	7116	14,108,964.36	2134	2054.49	0.9627
7-8	1435	1378.15	0.960	7238	9,975,049.70	1399	1335.72	0.9548
9-12	3039	2891.62	0.952	8712	25,191,793.44	3049	2873.72	0.9425
NPS	27	31.65	1.172	7701.5	243,767.88	20	20.00	1
SPECIAL ED EXTENDED							13.30	
	9353	9004.99	0.963		70,579,031.78	9409	9000.83	0.9566
	11341	10857.42	0.957			11295	10782.1404	0.9546
		17%						
2014-15								
CALPAD	ENROLL	FREE & REDUCE	EL	UNDUPLICATED	FOSTER FAMILY			
MALIBU	1886	190	93	249	1.00	250	0.13255567	
SANTA MONICA	9409	2722	927	3094	12.00	3,100.00	0.32947178	
TOTAL	11295	2912	1020	3343	13	3350		
MALIBU	0.167		0.100323625			0.08064516		
SANTA MONICA	0.834							

SANTA MONICA UNIFIED SCHOOL DISTRICT

MULTI-YEAR UNRESTRICTED REVENUE PROJECTIONS

4/15/15

	2014-15 BUDGET	2015-16 BUDGET	2016-17 BUDGET
LCFF /REVENUE	14,365,973	7,145,092	9,348,595
EPA 8012	1,800,000	13,535,256	13,304,920
PROPERTY TAX	46,995,932	46,995,932	46,995,932
LCFF TRANSFER TO ADULT ED	(262,628)		
LCFF TRANSFER TO DEFERRED MAINT.	(175,000)	(250,000)	(250,000)
ADA TRANSFER TO COUNTY SCHOOLS	(58,000)	(58,000)	(58,000)
OTHER FEDERAL REVENUE	8,000	8,000	8,000
MANDATED REIM	873,528	1,953,648	333,648
LOTTERY -UNRESTRICTED	1,158,784	1,158,784	1,158,784
OTHER STATE REVENUE	8,000	8,000	8,000
PARCEL TAX - MEASURE "R"	8,072,813	8,153,541	8,235,076
MEASURE "YY"	7,400,000	7,500,000	7,600,000
LEASE AND RENTALS	2,403,004	2,410,000	2,410,000
CITY OF SANTA MONICA	8,448,303	8,617,269	8,789,614
OTHER LOCAL INCOME	475,000	475,000	475,000
INTEREST	50,000	50,000	50,000
LGFC - SPECIAL ED	(19,195,421)	(19,195,421)	(19,195,421)
TOTAL REVENUES	72,368,288	78,507,100	79,214,148

**SANTA MONICA UNIFIED SCHOOL DISTRICT
MULTI-YEAR PROJECTION
UNRESTRICTED GENERAL FUND -ASSUMPTIONS**

4/15/2015

Factor	2014-15	2015-16	2016-17
Statutory COLA	0.85%	1.58%	2.17%
LCFF FUNDING BASE			
K-3 + 10.4% CSR	\$ 7,740	\$ 7,863	\$ 8,034
4-6	\$ 7,116	\$ 7,272	\$ 7,428
7-8	\$ 7,328	\$ 7,488	\$ 7,648
9-12 + 2.6% CTE	\$ 8,712	\$ 8,849	\$ 9,041
AVERAGE LCFF FUNDING PER ADA	\$ 7,047	\$ 7,514	\$ 7,807
% OF GAP FUNDING /DOF	29.15%	32.19%	23.71%
Enrollment Projection*	9,409	9,409	9,409
P2 ADA Projection	8,999	8,999	8,999
FUNDING ADA	8,999	8,999	8,999
Federal Revenues	0%	0%	0%
Mandated Block Grant K-8 per ADA	\$ 28.00	\$ 28.00	\$ 28.00
Mandated Block Grant 9-12 per ADA	\$ 56.00	\$ 56.00	\$ 56.00
Prior Year Mandated per ADA	\$ 60.00	\$ 180.00	\$ -
Unrestricted Lottery per ADA	\$ 128.00	\$ 128.00	\$ 128.00
City of Santa Monica	\$ 8,448,303	\$ 8,617,269	\$ 8,789,614
Measure "R"	\$ 8,072,813	\$ 8,153,541	\$ 8,235,077
City of SM /Prop. Y	\$ 7,400,000	\$ 7,500,000	\$ 7,600,000
Salary Increase - Certificated	0%	0%	0%
Salary Increase - Classified	0%	0%	0%
Step & Column Incr. - Mgmt.	1.50%	1.50%	1.50%
Step & Column Incr. - Classified	1.50%	1.50%	1.50%
STRS Rate	8.88%	10.73%	12.58%
PERS Rate	11.771%	12.60%	15.00%
Health/Welfare - Annualized	3%	7%	7%
Workers' Compensation	3.00%	3.00%	3.00%
Other Postemployment Benefits	1.25%	1.25%	1.25%
Indirect Cost Rate	5.73%	6.28%	5.57%
Interest Rate	0.70%	0.70%	0.70%
Ongoing Maintenance	3%	3%	3%
Reserve for Uncertainties	3%	3%	3%

STRS will increase 1.85% every year to 7/1/2020 (ED Code 22950.5)

Ssanta Monica Unified School District

DEPARTMENT BUDGETS

	2nd Interim		SMUSD		NOTES
	Budget	FTE	BUDGET	FTE	
SUPERINTENDENT /BOARD					
1310	239,204	1.000	239,204	1.000	BOARD MEMBERS 6 MONTHS FOR 14-15 90% Services and Other Cost
2300	33,600	7.000	33,600	7.000	
2300	47,010	1.000	47,010	1.000	
2410	121,920	2.000	121,920	2.000	
2937/47	2,912		2,912		
3XXX	210,652		210,652		
4XXX	12,800		12,800		
5XXX	790,200		682,844		
TOTAL	1,458,298	4.0	1,350,942	4.000	
HUMAN RESOURCES					
1110	47,250	0.500	47,250	0.500	STRS Paid
1130	10,936		10,936		
1160	1,023,782		859,977		84% of Sub Teachers
1311	165,074	1.000	165,074	1.000	
1314	115,091	1.000	115,091	1.000	
1316	91,629	1.000	76,968	0.840	BTSA COORDIANTOR
2317	74,224	1.000	74,244	1.000	
2410	370,802	6.500	370,802	6.500	
2262/2460/2430	83,000		75,000		90% of Classified Subs
3XXX	476,669		451,936		
4XXX	27,150		26,326		
5XXX	177,100		161,611		90% Contractor, Ad, Others
TOTAL	2,662,707	11.000	2,435,215	10.840	
EMPLOYEE RELATIONS					
1900	92,701	1.000	92,701	1.000	.5 PAID BY SEIU 90% of Legal Cost
2900	85,452	1.000	84,452	1.000	
3XXX	54,603		54,603		
4XXX	12,500		12,500		
5XXX	286,700		261,700		
TOTAL	531,956	2.000	505,956	2.000	

PERSONNEL COMMISSION					
2300	117,942	1.000	117,942	1.000	
2317	57,887	1.000	57,887	1.000	HR ANALYST
2319	1,800	3.000	1,800	3.000	COMMISSION MEMBER
2410	209,180	3.500	209,180	3.500	
2430	500		500		
3XXX	154,077		154,077		
4XXX	7,000		7,000		
5XXX	15,500		15,500		
TOTAL	563,886	5.50	563,886	5.500	

EDUCATIONAL SERVICES		RES. 00000			
1110	235,087	3.000	178,714	2.000	INDEPENDENT STUDY & OPC
1130	155,000		155,000		ELEM. SUMMER SCHOOL
1160	85,000		85,000		
1190	50,000		50,000		BILINGUAL STIPEND
1314	447,795	4.000	447,795	4.000	
1316	108,281	1.000	108,281	1.000	MUSIC COORDINATOR
1321	156,494	1.000	156,494	1.000	
2115	14,077	0.625	14,077	0.625	INDEPENDENT STUDY
2410	242,839	4.700	242,839	4.700	
2430	8,652		8,652		SUMMER SCHOOLS
2925	229,643	6.000	185,544	5.000	1 MALIBU
OTHERS	8,700		8,700		EXTRA HOURS..
3XXX	560,004		524,844		
41XX	998,370		838,711		84% OF TEXT BOOKS
4XXX	41,750		41,750		SUPPLIES
5630	204,000		204,000		RENT FOR OFFICE
5XXX	143,530		143,530		
	3,689,222	20.325	3,393,931	18.325	

RES.00001					
1110	750,657	10.000	630,552	8.400	ELEM. MUSIC TEACHERS
1130	2,420		2,420		
1160	8,106		6,809		SUB TEACHERS
1170	10,680		8,971		EDU FOR MUSIC TEACHERS
2161	30,000		25,200		84% OF SUB FOR PAS
2244	2,463		2,463		
2917	599		599		
3XXX	226,250		191,355		
4XXX	6,061		6,061		
5XXX	119,400		107,460		90% OF SERVICES AND OTHER COSTS
TOTAL	1,156,636	10	981,890		

		RES.00030			
1130/1160	100,000		100,000		
2130	5,000		5,000		
2410	5,795		5,795		
2925	106,420	2.500	106,420	2.500	
2933	62,000		62,000		
3XXX	84,372		84,372		
4XXX	165,800		127,956		
5XXX	214,198		214,198		
TOTAL	743,585	2.500	705,741	2.500	
RES.07090					
1110	269,714	3.800	222,617	3.200	.6 FTE FOR MALIBU SCHOOL
1316	108,281	1.000	108,281	1.000	
2120	46,462	1.688	46,462	1.6875	
2410	5,925	0.100	5,925	0.100	
2914	30,758	0.500			
2925	38,690	1.000	38,690	1.000	
3XXX	170,078		155,933		
4XXX	8,872		8,872		
TOTAL	678,780	8.088	586,780	6.988	
STUDENT SERVICES					
1314	127,759	1.000	127,759	1.000	
1130	100,000		100,000		HOME/HOSPITAL TEACHERS
2410	73,318	1.800	73,318	1.800	1.8 ADM. ASST.
2910	57,160	1.000	57,160	1.000	STUDENT INFO SYS TECHNICIAN
2XXX	3,911		3,911		
3XXX	123,032		123,032		
4XXX	7,000		7,000		
5XXX	96,000		96,000		
TOTAL	588,180	3.800	588,180	3.800	
HEALTH SERVICES					
1214	535,338	6.000	440,397	5.000	DECREASE 1 NURSE
1234	12,500	0.900	11,250		
2900	43,710	1.000	43,710	1.000	
2420	134,278	4.375	94,000	3.063	-1.3125 NURSE ASST.
2917	8,000		8,000		
3XXX	209,583		174,973		
4XXX	5,500		5,500		
5XXX	5,100		5,100		
TOTAL	954,009	12.275	782,930	9.063	
INSURANCE SERVICES					
4XXX	69,000		55,200		
5XXX	1,352,036		1,083,629		
6XXX	10,000		8,000		
TOTAL	1,362,036		1,146,829		80% OF TOTAL SMMUSD LIABILITY

THEATER OPERATIONS & FACILITY					
2111	103,767	3.125	60,192	1.750	1.375 for Malibu DECREASE \$200,000 REVENUE FROM CITY OF MALIBU
2212	37,272	1.000	37,272	1.000	
2213	59,244	1.000	59,244	1.000	
2317	33,702	0.500	33,702	0.500	
2910	103,621	2.000	103,621	2.000	
3XXX	162,008		134,621		
4XXX	26,700		30,000		
5XXX	3,300				
TOTAL	529,614	7.625	458,652	6.250	
BUSINESS SERVICES					
2300	177,810	1.000	177,810	1.000	
2410	57,864	1.000	57,864	1.000	
2430	5,000		5,000		
3XXX	73,384		73,384		
4XXX	4,700		4,700		
5XXX	349,320		249,320		
TOTAL	668,078	2.000	568,078	2.000	
FISCAL SERVICES					
2300	158,002	1.000	158,002	1.000	
2317	152,116	2.000	152,116	2.000	
2410	569,368	10.000	569,368	10.000	
24XX	10,000		10,000		
3XXX	386,335		386,335		
4XXX	19,800		-		
5XXX	88,030		88,030		
TOTAL	1,383,651	13.000	1,363,851	13.000	
COMPUTER SERVICES					
RES. 00000/00001					
2300	133,670	1.000	133,670	1.000	3 TECH FOR Malibu
2410	127,524	2.000	127,524	2.000	
2910	968,099	19.000	797,891	16.000	
2930/2940	10,000		10,000		
3XXX	489,029		427,479		
4XXX	31,500		31,500		
5XXX	496,300		496,300		
6XXX	29,500		29,500		
TOTAL	2,285,622	22.000	2,053,864	19.000	

PURCHASING					
2300	131,234	1.000	131,234	1.000	
2216	28,049	0.875	20,321	0.625	NO MALIBU SCHOOLS
2410	211,890	4.000	211,890	4.000	
3XXX	169,909		159,492		
4XXX	33,000		33,000		
5XXX	(24,757)		(22,582)		
	549,325	5.875	533,355	5.625	
TRANSPORTATION					
HOME TO SCHOOL					
2314	47,829	0.500	-		.5 DIRECTOR
2410	31,104	0.500	-		.5 ADMIN. ASST
2218	301,049	8.500	-		.5 MECHANIC, 8 BUS DRIVER
2238	12,500		-		
2248	20,000		-		
3xxx	219,054		-		
4xxx	140,800		-		
5xxx	(24,000)		-		
6xxx	25,000		-		
TOTAL	773,336		-		
SPECIAL ED TRANSPORTATION					
					3 buses for Malibu 11 buses for SM
2314	95,658	1.000	95,658	1.000	
2410	62,208	1.000	62,208	1.000	
2218	796,469	20.813	393,546	9.563	NO REGULAR HOME TO SCHOOL
2238	50,000		42,000		84%
2248	20,000		16,800		84%
2268	5,000		5,000		
3XXX	598,887		336,796		
4XXX	240,800		80,000		80%
5XXX	290,200		301,880		
7XXX	53,400		53,400		
TOTAL	2,212,622		1,387,288		
RENT	240,000	22.813	240,000	11.563	
UTILITY					
NATURAL GAS	170,300		153,000		90% OF SMMUSD COST
LIGHT & POWER	1,249,750		1,119,375		
WATER	700,000		630,000		
STORMWATER USES	40,000		40,000		
WASTE DISPOSAL	260,000		234,000		
ALARM-FIRE/SILENT	20,000		18,000		
COMMUNICATION	175,000		157,500		
TOTAL	2,615,050		2,351,875		

FACILITY MAINTENANCE			per work order there is 23% cost for malibu		
2210	1,014,367	17.000	912,930	15.300	90% OF SMMUSD FTES
2218	68,016	1.000	68,016	1.000	MECHNIC
2300	85,020	1.000	85,020	1.000	CONSTRUCTION & MAINTENANCE MANAGER
2317	107,950	2.000	107,950	2.000	1 FTE STARTS FROM 2/2015
2410	48,744	1.000	48,744	1.000	ADMIN. ASST
2XXX HOURLY, OT	8,893		8,893		
3XXX	560,919		523,859		
4XXX	359,370		323,433		90%
5XXX	529,374		496,482		90%
7310	200,111		182,990		
TOTAL	2,982,764	22.000	2,758,317	20.300	
GROUND & OPERATION					
2212	428,458	10.250	385,612	9.225	90% OF SMMUSD COST
2232/2242/2262	205,000		184,500		90% OF SMMUSD COST
2213	519,864	12.400	466,304	11.000	
2243/2263	27,000		27,000		
2300	84,540	1.000	84,540	1.000	
2317	61,441	1.000	61,441	1.000	
2410	38,795	1.000	38,795	1.000	
3XXX	627,411		581,642		
4XXX	95,816		61,934		-\$30,000 FOR MALIBU FIELD
5XXX	67,256		58,403		
TOTAL	2,155,581	25.650	1,950,171	23.225	
M & O TOTAL	5,138,345		4,708,488		

**SANTA MONICA USD
MULTI-YEAR PROJECTION
UNRESTRICTED GENERAL FUND**

4/21/2015

Description	2014-15 2ND INTERIM BUDGET	2015-16 PROJECTED BUDGET	2016-17 PROJECTED BUDGET
Property Tax	46,995,932	46,995,931	46,995,931
Education Protection Account (EPA)	-1,800,000	13,535,256	14,086,132
LCFF Transfer to Fund 11 & Fund 14	(437,628)	(250,000)	(250,000)
LCFF Transfer to Charter School & County Specialized secondary school	(58,000)	(58,000)	(58,000)
LCFF State Aide	14,365,973	7,145,092	9,348,595
Subtotal LCFF Funding	62,666,277	67,368,278	70,122,658
Other Federal	8,000	8,000	8,000
Lottery	1,158,784	1,158,784	1,158,784
Mandated Reimbursement Block Grant	873,528	1,953,648	333,648
Other State Revenue	8,000	8,000	8,000
Meas. "R"	8,072,813	8,153,541	8,153,541
Prop. Y / City of SM	7,400,000	7,500,000	7,600,000
Joint Use Agreement/ City of SM	8,448,303	8,617,269	8,789,614
All Other Local Income	525,000	525,000	525,000
Lease and Rental	2,403,004	2,410,000	2,410,000
Other Sources /Proceed from Capital Lease			
Local General Fund Contribution	(19,195,421)	(19,195,421)	(19,195,421)
TOTAL REVENUE	72,368,288	78,507,099	79,913,824
Certificated Salary	37,922,447	38,491,284	39,068,653
Classified	12,556,255	12,744,599	12,935,768
Benefits	16,681,346	18,124,962	19,753,980
Supplies/Books	1,799,683	1,800,000	1,800,000
Other Operational Costs	6,936,632	7,000,000	7,000,000
Capital Outlay	37,500	50,000	50,000
Debt Services	53,400	53,400	53,400
Indirect	(996,831)	(850,000)	(850,000)
Interfund Transfer Out to Fund 12	185,494	110,000	110,000
Interfund Transfer Out to Fund 13	260,000	260,000	260,000
LCAP Increase above 2014-15		936,195	1,434,644
Mandated/Common Core Program		1,620,000	
TOTAL EXPENDITURE	75,435,926	80,340,440	81,616,445
Increase (Decrease) Fund Balance	(3,067,638)	(1,833,341)	(1,702,621)
Beginning Fund Balance	16,600,000	13,532,363	11,699,022
Ending Fund Balance	13,532,363	11,699,022	9,996,401
Reserve - Revolving cash, Store	94,570	100,000	100,000
Reserve - Deficit Spending 15-16	1,833,341		-
Reserve - Deficit Spending 16-17	1,702,621	1,702,621	
3% Contingency Reserve	4,046,569	4,050,085	4,178,984
Unappropriated Balance	5,855,262	5,846,316	5,717,417

SPECIAL EDUCATION

	SMMUSD REV.	SANTA MONICA	
REVENUE			
AB 602	5,410,704	\$ 4,488,179	82.95%
PROGRAM SPECIALIST	109,153	90,542	82.95%
MENTAL HEALTH	530,000	439,635	82.95%
WORKABILITY	62,031	51,455	82.95%
LOW INCIDENCE	3,475	2,883	82.95%
IDEA	2,259,179	1,873,989	82.95%
LGFC	17,480,168	15,451,664	
TOTAL REVENUES:	25,854,710	\$ 22,398,347	

	SMMUSD EXPENDITURE	SANTA MONICA	
FTES	293	-	0.00%
SALARY AND BENEFITS	21,763,929	18,281,700	
SUPPLIES	56,046	50,441.40	90%
ELECTROINC DEVICES	9000	8,100.00	90%
NON-CAPITAL EQUIP	37,000	33,300.00	90%
SERVICES	3,988,735	3,589,861.50	90%
UNRESTRICTED	434,944	434,944	84.43%
TOTAL COST	26,289,654	22,398,347	
GENERAL FUND CONTRIBUTION:	17,480,168	15,451,664	
	434,944	367,223	
	17,915,112	15,818,887	

APPENDIX C

SMMUSD CFO Forecasts for a Santa Monica Unified School District

(Adopted SMMUSD FY 2015-16 Budget Baseline)

**SANTA MONICA USD
MULTI-YEAR PROJECTION
UNRESTRICTED GENERAL FUND -Updated to Match 2015-16**

6/15/2015

Description	2015-16 PROJECTED BUDGET	2016-17 PROJECTED BUDGET	2017-18 PROJECTED BUDGET
Revenue:			
Property Tax	51,434,743	51,434,743	51,434,743
Education Protection Account (EPA)	1,799,800	1,784,000	1,784,000
LCFF Transfer to Fund 11 & Fund 14	(250,000)	(250,000)	(250,000)
LCFF Transfer to Charter School & County Specialized secondary school	(83,000)	(83,000)	(83,000)
LCFF State Aide	17,137,886	19,362,108	21,739,523
Subtotal LCFF Funding	70,039,429	72,247,851	74,625,266
Other Federal	8,000	8,000	8,000
Lottery	1,158,784	1,158,784	1,158,784
Mandated Reimbursement Block Grant	5,742,047	329,448	329,448
Other State Revenue	8,000	8,000	8,000
Meas. "R"	8,080,963	8,161,773	8,243,390
Prop. Y / City of SM	7,500,000	7,600,000	7,700,000
Joint Use Agreement/ City of SM	8,617,269	8,789,614	8,965,407
All Other Local Income	2,699,554	2,610,000	2,610,000
Lease and Rental	2,410,000	2,410,000	2,410,000
Local General Fund Contribution	(19,547,444)	(19,938,393)	(20,337,161)
TOTAL REVENUE	86,716,602	83,385,077	85,721,135
Expenditure:			
Certificated Salary	40,972,000	41,145,440	41,625,353
Classified	14,318,771	14,533,553	14,751,556
Benefits	19,371,325	21,022,644	22,816,545
Supplies/Books	2,431,667	2,400,000	2,400,000
Other Operational Costs	8,746,270	8,700,000	8,700,000
Capital Outlay	657,000	200,000	200,000
Debt Services	53,400	53,400	53,400
Indirect	(1,054,744)	(900,000)	(900,000)
Interfund Transfer Out to FUND 12	185,494	110,000	110,000
Interfund Transfer Out to FUND 13	130,000	130,000	130,000
LCAP Increase above 2015-16		502,539	838,269
TOTAL EXPENDITURE	85,811,184	87,897,575	90,725,123
Increase (Decrease) Fund Balance	905,419	(4,512,498)	(5,003,989)
Beginning Fund Balance	19,282,082	20,187,501	15,675,002
Ending Fund Balance	20,187,501	15,675,002	10,671,014
Reserve - Revolving cash, Store	100,000	100,000	100,000
Reserve - Deficit Spending 15-16		(5,003,989)	-
Reserve - Deficit Spending 16-17	4,512,498		
3% Contingency Reserve	4,050,085	4,178,984	4,178,985
Unappropriated Balance	11,524,917	16,400,007	6,392,029

DEPARTMENT BUDGET

	PROPOSED Budget	FTE	SMUSD BUDGET	FTE	NOTES
SUPERINTENDENT /BOARD					
1310	239,204	1.000	239,204	1.000	7 BOARD MEMBERS
2300	33,600		33,600		
2300	111,462	1.000	111,462	1.000	
2410	121,920	2.000	121,920	2.000	
2937/47	2,200		2,200		
3XXX	231,603		231,603		
4XXX	13,300		13,300		
5XXX	497,940		448,146		90% Services and Other Cost
TOTAL	1,251,229	4.0	1,201,435	4.000	
HUMAN RESOURCES					
1110	47,250	0.500	47,250	0.500	STRS Paid
1130	10,900		9,156		84% OF HOURLY
1160	1,023,000		859,320		84% of Sub Teachers
1311	154,695	1.000	154,695	1.000	
1314	125,000	1.000	125,000	1.000	
1316	97,475	1.000	81,879	0.840	BTSA COORDIANTOR
2317	74,226	1.000	74,226	1.000	
2410	549,892	7.000	388,172	7.000	
2262/2460/24	93,000		83,700		90% of Classified Subs
3XXX	549,892		520,484		
4XXX	32,700		32,700		
5XXX	149,800		134,820		90% Contractor, Ad, Others
6XXX	200,000		200,000		TIME CLOCK
TOTAL	3,107,830	11.500	2,511,402	11.340	
EMPLOYEE RELATIONS					
1900	94,501	1.000	94,501	1.000	
2900	85,452	1.000	85,452	1.000	.5 PAID BY SEIU
3XXX	59,082		59,082		
4XXX	12,000		12,000		
5XXX	313,520		282,168		90% of Legal Cost
TOTAL	564,555	2.000	533,203	2.000	
PERSONNEL COMMISSION					
2300	121,260	1.000	121,260	1.000	
2317	69,464	1.000	69,464	1.000	HR ANALYST
2319	1,800		1,800		3 COMMISSION MEMBER
2410	210,120	3.500	210,120	3.500	
2430	1,500		1,500		
3XXX	164,318		164,318		
4XXX	10,000		10,000		
5XXX	18,300		18,300		
TOTAL	596,762	5.50	596,762	5.500	

EDUCATIONAL SERVICES			RES. 0000		
1110	366,750	5.000	282,564	3.840	INDEPENDENT STUDY & TOSA
1130	156,858		131,761		ELEM. SUMMER SCHOOL
1160	25,000		21,000		
1190	50,000		50,000		BILINGUAL STIPEND
1314	477,338	4.000	477,338	4.000	
1316	108,281	1.000	108,281	1.000	MUSIC COORDINATOR
1321	156,495	1.000	156,495	1.000	
2115	15,975	0.625	15,975	0.625	INDEPENDENT STUDY
2232	9,900		6,600		SUMMER SCHOOLS
2410	244,509	4.700	244,509	4.700	
2430	8,340		4,920		SUMMER SCHOOLS
29XX	2,000		2,000		
3XXX	504,388		482,140		
41XX	800,000		672,000		84% OF TEXT BOOKS
4XXX	182,511		164,260		90% OF TOTAL COST
5630	207,060		207,060		RENT FOR OFFICE
5750	(133,746)		(133,746)		TF TECH DIRECTOR TO FUND 84
5XXX	126,100		113,490		90% OF OTHER SERVICES
	3,307,759	16.325	3,006,646	15.165	
RES.00001					
1110	764,857	10.000	642,480	8.400	ELEM. MUSIC TEACHERS
1130	500		420		
1160	5,000		4,200		SUB TEACHERS
1170	10,680		8,971		EDU FOR MUSIC TEACHERS
2161	20,000		16,800		84% OF SUB FOR PAS
2244	2,463		2,463		
2917	599		599		
3XXX	249,002		191,355		
4XXX	8,100		8,100		
5XXX	120,400		108,360		90% OF SERVICES AND OTHER COSTS
TOTAL	1,181,601	10	983,748	8.400	
RES.00020					
1130	11,120		9,341		84% OF STUDENT POPULATION
1160	6,189		5,199		84% OF STUDENT POPULATION
3XXX	2,922		2,454		84% OF STUDENT POPULATION
4XXX	13,159		11,054		84% OF STUDENT POPULATION
5XXX	634,815		533,245		84% OF STUDENT POPULATION
TOTAL	668,205	-	561,292	-	

		RES.00030				
1110	807,272	10.420	682,720	8.82	1.6 FTE FOR MALIBU 92% SUPPLEMENTAL POPULATION	
1130	440,466		405,229			
1160	32,000		32,000			
1316	107,801	1.000	107,801	1.000		
2120	47,641		47,641			
2130	42,243		5,000			
2410	5,924	0.100	5,795	0.100		
2914	180,015	3.000	180,015	3.000		
2917	121,693		121,693			
2925	369,525	9.500	332,675	8.500		1 FOR MALIBU
29XX	24,500		62,000			
3XXX	686,259		604,843			
4XXX	107,347		107,347			
5XXX	635,363		608,244			
TOTAL	3,608,049	9.500	3,303,003	21.420		
STUDENT SERVICES						
1314	127,759	1.000	127,759	1.000	HOME/HOSPITAL TEACHERS 1.8 ADM. ASST. STUDENT INFO SYS TECHNICIAN 90% OF THE TOTAL COST	
1130	100,000		84,000			
2410	74,646	1.800	74,646	1.800		
2910	72,078	1.000	72,075	1.000		
2XXX	4,960		4,960			
3XXX	141,765		139,064			
4XXX	10,500		10,500			
5XXX	117,650		105,885			
TOTAL	649,358	3.800	618,889	3.800		
HEALTH SERVICES						
1214	549,543	6.000	457,952.50	5.000	DECREASE 1 NURSE 84% -1.3125 NURSE ASST.	
1234	23,657		19,872			
2900	43,710	1.000	43,710	1.000		
2420	139,446	4.375	95,000	3.063		
2460	5,000		4,200			
2917	4,000		3,333			
3XXX	233,014		198,245			
4XXX	5,650		5,650			
5XXX	5,400		5,400			
TOTAL	1,009,420	11.375	833,363	9.063		
SPECIAL ED/PSYCHOLOGISTS						
1211	342,009	3.450	288,758	2.910	84.43%	
3XXX	102,985		86,950			
TOTAL	444,994	3.450	375,708	2.910		
INSURANCE SERVICES						
4XXX	65,000		58,500		90% OF TOTAL BUDGET	
5XXX	1,421,000		1,136,800		80% OF TOTAL BUDGET	
6XXX	10,000		8,000		80% OF TOTAL BUDGET	
TOTAL	1,362,036		1,203,300			

THEATER OPERSTIONS & FACILITY					
2111	106,364	3.125	62,789	1.750	1.375 for Malibu DECREASE \$200,000 REVENUE FROM CITY OF MALIBU 90% OF TOTAL BUDGET
2212	37,272	1.000	37,272	1.000	
2213	59,244	1.000	59,244	1.000	
2317	35,373	0.500	35,373	0.500	
2910	103,621	2.000	103,621	2.000	
3XXX	169,638		141,220		
4XXX	36,000		32,400		
5XXX					
TOTAL	547,512	7.625	471,919	6.250	
BUSINESS SERVICES					
2300	177,810	1.000	177,810	1.000	
2314	130,000	1.000	130,000	1.000	
2410	57,864	1.000	57,864	1.000	
2430	5,000		5,000		
3XXX	114,885		114,885		
4XXX	4,700		4,700		
5XXX	309,575		309,575		
TOTAL	799,834	3.000	799,834	3.000	
FISCAL SERVICES					
2300	160,844	1.000	160,844	1.000	
2317	154,152	2.000	154,152	2.000	
2410	570,140	10.000	570,140	10.000	
24XX	10,000		10,000		
3XXX	409,085		409,085		
4XXX	16,000		16,000		
5XXX	90,365		90,365		
TOTAL	1,410,586	13.000	1,410,586	13.000	
COMPUTER SERVICES					
RES. 00000/00001					
2300	133,670	1.000	133,670	1.000	3 TECH FOR Malibu
2410	127,524	2.000	127,524	2.000	
2910	1,165,305	18.000	997,412	15.000	
3XXX	588,704		509,079		
4XXX	29,000		29,000		
5XXX	647,300		647,300		
6XXX	30,000		30,000		
TOTAL	2,721,503	21.000	2,473,985	18.000	
PURCHASING					
2300	131,234	1.000	131,234	1.000	NO MALIBU SCHOOLS
2216	30,408	0.875	21,720	0.625	
2410	213,372	4.000	213,372	4.000	
3XXX	177,800		168,868		
4XXX	42,000		42,000		
5XXX	(14,400)		(14,400)		
	580,414	5.875	562,794	5.625	

TRANSPORTATION					
HOME TO SCHOOL					
2314	47,829	0.500	-		.5 DIRECTOR
2410	31,104	0.500	-		.5 ADMIN. ASST
2218	304,934	7.500	-		.5 MECHANIC, 8 BUS DRIVER
2238	12,500		-		
2248	20,000		-		
3xxx	240,731		-		
4xxx	140,000		-		
5xxx	(14,000)		-		
6xxx	25,000		-		
TOTAL	808,098		-		
SPECIAL ED TRANSPORTATION					
				3 buses for Malibu 11 buses for SM	
2314	47,829	0.500	95,658	1.000	
2410	31,104	0.500	62,208	1.000	
2218	496,709	12.313	447,038	11.125	
2238	50,000		42,000		90%
2248	20,000		16,800		90%
2268	5,000		5,000		
3XXX	417,461		565,687		
4XXX	10,000		90,000		90%
5XXX	61,600		55,440		90%
RENT	244,800		244,800		
7XXX	53,400		53,400		
TOTAL	1,437,903	13.313	1,678,031	13.125	
UTILITY					
NATURAL GAS	150,000		135,000		90% OF SMMUSD COST
LIGHT & POW	1,300,000		1,170,000		
WATER	750,000		675,000		
STORMWATER	40,000		40,000		
WASTE DISPOS	275,000		247,500		
ALARM-FIRE/S	20,000		18,000		
COMMUNICAT	175,000		157,500		
TOTAL	2,710,000		2,443,000		
GROUND & OPERATION					
2212	429,124	10.250	385,612	9.225	90% OF SMMUSD BUDGET
2232/2242/22	255,000		229,500		90% OF SMMUSD BUDGET
2213	161,592	3.000	161,592		
2243/2263	27,000		27,000		
2300	84,540	1.000	84,540	1.000	
2410	37,580	1.000	37,580	1.000	
3XXX	424,457		424,457		
4XXX	350,000		320,000		-\$30,000 FOR MALIBU FIELD
5XXX	29,500		29,500		
TOTAL	1,798,793	15.250	1,699,781	11.225	

DISTRICTWIDE SERVICES			
34XX	(209,296)	(205,296)	
5XXX	188,200	169,380	90% OF SMMUSD BUDGET
6XXX	392,000	392,000	
73XX	(1,161,544)	(1,141,981)	

RES. 81500

ON GOING MAINTENANCE		per work order there is 23% cost for malibu			
2210	1,013,627	17.000	912,264	15.300	90% OF SMMUSD FTES
2213	371,849	9.400	334,664	8.460	90% OF SMMUSD FTES
2218	68,016	1.000	68,016	1.000	MECHNIC
2240	40,000		36,000		90% OF BUDGET
2248	3,000	-	3,000		90% OF BUDGET
2300	85,536	1.000	85,536	1.000	CONSTRUCTION & MAINTENANCE MANAGER
2317	217,412	3.000	217,412	3.000	
2410	48,744	1.000	48,744	1.000	ADMIN. ASST
3XXX	795,616		713,992		
4XXX	307,000		276,300		90% OF TOTAL BUDGET
5XXX	566,500		509,850		90% OF TOTAL BUDGET
6XXX	365,037		250,000		
7310	220,886		201,323		
TOTAL	4,103,223	32.400	3,657,101	29.760	

DEPARTMENT BUDGET

1XXX	6,461,600	48.37	5,715,146	42.31
2XXX	8,264,845	130.16	7,313,794	110.51
3XXX	5,258,695	-	4,808,523	-
4XXX	1,875,967	-	1,627,510	-
5XXX	8,366,542	-	7,543,132	-
6XXX	657,000	-	630,000	
7XXX	(1,108,144)	-	(1,088,581)	
76XX	315,494		315,494	
	30,091,999	179	26,865,019	

SMUSD

1XXX	41,718,454	471.62	40,972,000	462.65
2XXX	15,269,822	300.34	14,318,771	280.69
3XXX	19,821,497		19,371,325	
4XXX	2,431,667		2,431,667	
5XXX	8,746,270		8,746,270	
6XXX	657,000		657,000	
7XXX	(1,108,144)		(1,108,144)	
76XX	315,494		315,494	
	87,852,060		85,704,384	
			2,147,676	

MEMORANDUM

To: Board of Education, Santa Monica Malibu Unified School District

From: Financial Oversight Committee

Date: July 15, 2015

Subject: Proposed Action to Reorganize the Existing Santa Monica Malibu Unified School District by Forming a New Malibu Unified School District from Parts of the Existing District - Implications Relating to the Division of Assets and Liabilities

This Memorandum responds to one of the charges given by the Board to the Financial Oversight Committee (“FOC”) at our joint meeting in July, 2014. At that meeting, the Board requested that the FOC provide information regarding the financial implications of forming a new “Malibu Unified School District” (“MUSD”) from parts of the existing Santa Monica Malibu Unified School District (the “Existing District”). MUSD would consist of all geographic areas currently served by the Existing District which are outside the boundaries of the City of Santa Monica with the Existing District continuing to serve the City of Santa Monica under the name “Santa Monica Unified School District” (“SMUSD”).

The FOC divided this task between two subcommittees, one focusing on the division of assets and liabilities, which is addressed in this Memorandum, and the other looking at hypothetical operating budgets for the two districts which will be addressed in a separate memorandum.

Summary

The Board expressed particular interest in learning whether there were any financial issues sufficiently material to preclude support by the Board for the proposed unification - so-called “deal breakers.” Based on research and analysis carried out by this subcommittee and discussions by the full FOC, the FOC identified the existing claim and potential future claims against the District and certain of its officials arising from alleged toxic substances and remediation practices at certain Malibu schools as the only potential “deal breaker” within the context of the allocation of assets and liabilities. While we have some preliminary thoughts on how that issue might be satisfactorily resolved, advice from legal counsel will be necessary and we’ve had neither the time nor the resources to investigate their feasibility.

The California Education Code contains certain default provisions regarding the method to be used for allocating assets and liabilities. It also provides, however, that other methods may be used if found to be more equitable. Therefore, the suggested

allocations discussed in this Memorandum are based upon the FOC's conclusions regarding equitable allocations. In some instances we were unable to reach a solution absent more information; however, we are confident that mutually agreeable results can be reached through further analysis and discussion.

A. Division of Assets.

1. Land and Improvements.

In addition to existing school sites, the District owns (a) the land and the building in which the District offices are housed, (b) the land underneath the Doubletree Hotel and the adjacent office building, but not the buildings, (c) the land underneath a single-story multi-tenant building at 9th and Colorado, but not the building, (d) the site previously used for Madison School which is leased to Santa Monica College and the buildings on that site except for the Broad Stage and other buildings constructed by SMC, (e) the site and the buildings previously used for Washington School on 4th Street in Ocean Park and a children's center across the street, and (f) a few additional small parcels, some in Malibu and some in Santa Monica.

The Education Code provides that real property plus the improvements, FF&E, and books and supplies normally situated on that property are to be allocated to the district in which the property is located. The Subcommittee believes this to be a reasonable method of allocation so that, in essence, all real property owned by the District located outside the City of Santa Monica, as well as the associated improvements, etc. located on that property, would be allocated to MUSD with the balance being retained by SMUSD. We are not aware of any real property for which it would be inappropriate to make such an allocation.

2. Personal Property Other Than Cash. We did not have an inventory of personal property but believe that the only major items that are not associated with a particular school site or the District office, all of which would run with that property, are vehicles, primarily large and small buses. In general, the large buses and perhaps some small buses are housed in Malibu and are used almost exclusively in Malibu while most of the small buses are housed in Santa Monica and are used there. The FOC believes that the appropriate allocation should be based on how these buses are used so that, in essence, the ones housed in Malibu would probably be allocated to MUSD and the ones housed in Santa Monica would remain with the District. To the extent buses used in Malibu are currently maintained in Santa Monica, a new MUSD could enter into a maintenance agreement with SMUSD until it was prepared to provide its own maintenance facility.

3. Cash. The FOC believes that cash cannot be allocated using any single method because there are differing sources of money and different restrictions as to how it is permitted to be used. We discussed these issues by looking at the individual funds maintained by the District.

a. Major Governmental Funds.

(1) General Fund (Unrestricted). The easiest way to allocate cash in the unrestricted portion of the General Fund would be based on respective ADA for the last year of operation of the District. Such a method would, however, disregard the different funding sources which we believe are relevant in certain cases. Therefore, we believe that further discussions are needed regarding allocation of the cash in this Fund.

- LCFF Funding. The bulk of the unrestricted general fund money comes from local property taxes and the State. Malibu's share of property tax funding will be disproportionately higher than Santa Monica's share when compared to ADA allocations. However, due to supplemental grants under LCFF, it is likely that a disproportionate amount of State money is due to Santa Monica enrollment.

- City of Santa Monica. Through the joint use agreement and Prop. Y, the City of Santa Monica and its taxpayers are expected to contribute approximately \$16,000,000 to the General Fund during the next fiscal year. Therefore, it does not seem appropriate to allocate General Fund cash derived from these payments through use of ADA.

- Prop. R Parcel Tax. Prop. R is expected to generate approximately \$11,000,000 for the General Fund during the next fiscal year. There are two ways to look at these dollars. The first would be to assume that none of the cash in the unrestricted portion of the General Fund at the end of the year was derived from Prop. R because it is all legally required to be spent during the year. The other would assume all General Fund dollars are fungible and allocate accordingly, either based on ADA or another method, such as the respective number of parcels for which the owners did not take advantage of the senior exemption.

- Other Local Income. This catch-all category is expected to contribute approximately \$3,500,000 to the General Fund over each of the next few years. Much of this money comes from leases, such as the ground leases for the Doubletree Hotel and Madison School. These funds could be allocated based on ADA or allocated based upon the location of the property generating the income.

- SMMEF. Funds contributed by SMMEF will be spent during the fiscal year in which they were contributed. Therefore, as with Prop. R, cash in the unrestricted portion of the General Fund at the end of a fiscal year will not contain any of these dollars. Depending upon the principle used, these funds could either be disregarded or treated as a part of fungible cash and allocated. If they are to be allocated, it would seem inappropriate to allocate much, if any, to MUSD given the history of SMMEF's lack of success in raising contributions in Malibu.

(2) General Fund (Restricted). Funds in this account must be used for specific purposes, such as the acquisition of instructional material from lottery

proceeds. It is not clear whether these restrictions will impact the allocation method but, if not, ADA may be appropriate.

(3) Building Fund - \$45,800,000. This fund contains unspent bond proceeds from both BB and ES bonds which are restricted for use in accordance with the bond program. (Of course, it is likely the District will issue one or more additional series of ES bonds before any separation would become effective thereby generating more unspent proceeds.) The FOC believes that to the extent the proceeds have been earmarked for specific projects, the funds should be divided in that manner. To the extent that they have not been earmarked, another method, such as the 80%/20% contemplated in the Board's resolution authorizing the placing of the ES bonds on the ballot could be used with the split taking into account previous expenditures as well as the allocations of the earmarked funds.

We assume that if bond proceeds are transferred to MUSD, some Proposition 39 committee will be required to oversee the expenditures. We are unsure as to whether this would be a new committee created by MUSD or the existing committee.

(4) Bond Interest and Redemption Fund - \$40,498,000. This fund contains property tax receipts used to make payments on outstanding bonds as well as any accrued interest received at the time the bonds were sold. It is maintained by the county and should be allocated in a manner consistent with the bond indebtedness.

b. Non-Major Governmental Funds - Special Revenue Funds. These Funds are generally restricted for certain specific purposes and, to that extent, should be allocated based upon use rather than ADA.

(1) Adult Education Fund. This fund accounts for revenue received for adult education and can be used for only that purpose.

(2) Child Development Fund. This fund is legally restricted for child development programs and should be allocated based on use. Most of the child development programs are in Santa Monica with a minor element in Malibu.

(3) Cafeteria Special Revenue Fund. This fund is for operation of the food service programs. Since these programs exist in both SM and Malibu and provide service to all students, an allocation based on ADA may be appropriate.

(4) Deferred Maintenance Fund. This fund holds State and local contributions for deferred maintenance. Rather than ADA, the proper allocation may be based upon square footage of the improvements to be held by each district.

c. Non-Major Governmental Funds - Capital Project Funds.

(1) Capital Facilities Fund. This Fund holds proceeds from developer fees and is likely to be significantly higher than was the case on January 31, 2015, the date of the 2nd Interim Report, when it was approximately \$34,000. To some extent, the proceeds of the Fund have already been reserved to assist in the payment of construction costs for Measure BB projects and for the payment of costs associated with environmental remediation in Malibu; those allocations should be preserved. To the extent that the fund contains excess proceeds, we believe it should be allocated on a pro-rata basis measured by the location of the projects giving rise to the developer fee deposits rather than ADA.

(2) Special Reserve for Capital Outlay Projects. This Fund contains that portion of tax increment funds received by the District from the Santa Monica Redevelopment Agency which is required by law to be used for capital expenditures. This Fund has also been allocated to pay a portion of the cost of BB projects and should continue to be available for that purpose. To the extent there remain excess amounts in this Fund, they should remain with SMUSD given the fact that they are attributable to Santa Monica projects.

d. Proprietary Fund - Self Insurance Fund. The negative fund balance in this Fund (almost \$5,800,000 at the end of 2013- 2014) represents the difference between the OPEB liability discussed below and the \$3,000,000 which has been set aside by the District for future funding of those liabilities. Allocation of the \$3,000,000 in cash will depend upon the manner in which the Board responds to the FOC's recommendation that this \$3,000,000 be placed in a reserve account handled by CalPERS, as was recently done by the City of Santa Monica.

e. Fiduciary Funds. These are "agency" funds used to account for funds held by the District for the benefit of employees or student groups. Presumably, a portion would be transferred to MUSD for deposit into newly-created agency funds for the benefit of MUSD employees and students with the balance retained by SMUSD.

B. Division of Liabilities.

1. Bonds. This Section addresses indebtedness created by previously issued bonds, unspent proceeds of issued bonds, authorized but unissued bonds and future bonds not currently authorized.

In preparing this Memorandum, members of the Subcommittee (x) met with Tony Hsieh of Keygent, the District's bond advisor, (y) discussed relevant legal issues with attorneys Janet Mueller and Bill Tunick of the San Diego law firm of Dannis Woliver Kelley ("DWK"), the firm that represented Centinela Valley Union High School District in the Wiseburn unification, and which the FOC recommends be retained by the District, and (z) reviewed memoranda prepared by WestEd at the request of AMPS and Marguerite Leoni of the law firm of Nielsen Merksamer to Craig Foster, counsel to AMPS.

a. Issued Bonds.

(1) Status. As of June 30, 2014, the District had about \$315MM in total outstanding “general obligation” bonds: about \$68MM in pre-BB bonds and \$247MM in BB bonds. In August, 2014, the District issued \$30MM in bonds under Measure ES for a current total of about \$345MM less any principal payments that have been made. While these bonds are designated as “general obligation” bonds, the only source of payment is assessments against real property in the current District boundaries; they are not technically general obligations of the District payable from any other assets. Therefore, a separation would not affect bondholders - the bonds would continue to be paid based on assessments against property in Santa Monica and Malibu as if there had been no separation and bondholders would have no access to assets of either SMUSD or MUSD.

(2) Allocation of Indebtedness. Following a separation, SMUSD, as the continuation of the District, would be treated as having been the issuer of these bonds and, at least nominally, be fully liable for the aggregate outstanding debt. However, Section 35576(b) of the Education Code would require MUSD to be liable for a portion of that debt and Section 35576(c) requires the county to assess property in both Santa Monica and Malibu based upon the manner in which the bond indebtedness is allocated.

MUSD would be liable for that portion of the bond debt equal to the larger of (a) and (b) below or determined in accordance with Section 35738 described in (c) below:

(a) Section 35576(b)(1) uses the percentage of the aggregate assessed valuation of property in the District which is located in the MUSD area in the year immediately preceding the effective date of the separation. Currently, that percentage would be about 29.5%. (For ease of discussion, this Memorandum assumes a 30% share for Malibu recognizing that it will be whatever it is at the time.)

(b) Section 35576(b)(2) uses the portion of the outstanding bonded debt incurred for the acquisition or improvement of school property located within the boundaries of MUSD. Determining the MUSD portion on this basis presents practical difficulties, particularly with respect to expenditures made with pre-BB bond proceeds.

(c) Section 35738, permits allocation in any other manner which would provide “greater equity” taking into account “assessed valuation, number of pupils, property values, and other matters which the petitioners or county committee deems pertinent.”

The FOC recommends that the petition focus on method (a) - using respective percentages of assessed valuation on the effective date of the separation - because

attempting to apply method (b) is not practical and we didn't see any basis upon which to conclude that another allocation method would provide "greater equity."

There is a theoretical effect on property taxes in the respective districts compared to taxes absent a separation. If, for example, the bond debt were allocated 70% to SMUSD and 30% to MUSD, property in Santa Monica would be responsible for 70% of all future payments and property in Malibu 30% irrespective of changes in relative assessed valuations. If the relative assessed valuations were to change to 65% - 35%, Santa Monica property would still be responsible for 70% of the bond payments whereas such property would only be responsible for 65% in the absence of a separation. And, of course, were the shift to be in the other direction, say 75% - 25%, Malibu property would absorb a disproportionately higher percentage of the future payments.

(3) Impact on Bonding Capacity. The FOC considered whether the separation or the manner in which the outstanding bond debt is allocated would affect bonding capacity. Preliminarily, it is important to recognize that, as discussed below, Tony Hsieh believes that the restraint on the timing of new bond issues won't be the bonding capacity of SMUSD but the ability to keep the aggregate bond payments limited to \$30/\$100,000 of assessed valuation. However, if bonding capacity becomes an issue, separation and allocation might be significant.

(a) Separation. In the absence of separation, the bonding capacity of the District would be limited to 2.5% of the aggregate assessed valuation of all Santa Monica and Malibu property. Separation would limit each district to 2.5% of the assessed valuation of property in that district. To the extent that bond proceeds are needed in one district in a greater proportion than the ratios of assessed valuation, the district requiring more bond proceeds would be negatively affected by a separation.

(b) Allocation. Section 33574 provides that the bond debt liability assumed by MUSD would be considered a liability of MUSD for purposes of computing bonding capacity with, presumably, the liability retained by SMUSD affecting its capacity. Therefore, the manner in which the bond debt is allocated between the two districts may have some residual effect on bonding capacity of the two districts.

(4) Future Refinancing. From time to time, most recently on May 7, 2015, the Board has authorized the refinancing of outstanding bonds due to the movement of interest rates or other factors. The mechanism for taking similar action following a separation isn't clear to us. SMUSD probably wouldn't have the authority to issue new bonds for this purpose which were backed, in part, by Malibu property even though the bonds being paid did have that support. Therefore, special legislation may be required to either give SMUSD that authority or create some other vehicle for issuing the refunding bonds.

b. Authorized But Unissued ES Bonds.

At the moment, an additional \$355MM remains in bonding authority under Measure ES. This amount could be reduced by up to another \$45MM remaining from the Board's 2014 resolution under which \$30MM were issued in August and up to an additional \$60MM based on the Board's May 7 resolution. For purposes of this Memorandum, we have assumed the remaining \$45MM authorization will not be utilized but that the recently authorized \$60MM will be issued, thereby reducing the unissued amount to \$295MM. (Of course, this amount may be further reduced prior to separation to the extent additional bonds are authorized and issued.)

In the absence of separation, the District would have authority to authorize the issuance of additional ES bonds in the aggregate amount of \$295MM. At a time when the remaining authority was \$355MM, Tony Hsieh concluded that it should be possible to issue bonds in that aggregate amount through five more series, one every two years in the amount of \$71MM starting this year with all bonds being issued by 2023. Assuming the District issues the full \$60MM, this schedule might be adjusted somewhat but would probably permit the District to issue bonds in the aggregate amount of \$295MM by no later than 2025. According to Tony, the limiting factor is maintaining a maximum tax rate for all ES bonds of \$30/\$100,000 of assessed valuation, as promised to the voters in the ballot measure. Assuming the proceeds of these future bonds were split 80%/20% between Santa Monica and Malibu schools, Santa Monica schools would receive \$236MM and Malibu schools \$59MM over the remaining 10-year period. (Note that this is a simplistic assumption because (a) the 80%/20% split related to the entire \$385MM ES authorization and the assumption doesn't attempt to take into account the manner in which the issued bond proceeds have been, or will be split, and (b) there was nothing in the Board's resolution limiting Malibu's share to 20% - that number was only a minimum.)

In connection with a separation, the FOC considered two questions relating to potential future bonds:

- What happens to the bonding authority?
- What is the impact of the Board's original ES resolution stating that not less than 20% of the net bond proceeds are to be spent on projects benefiting schools in Malibu?

It is the FOC's understanding, based on discussions with DWK, that in the absence of special legislation directing a different result, SMUSD, as the continuing district, would probably retain the authority to issue the remaining bonds with any new bond debt being paid for through assessments solely against Santa Monica property. However, there is apparently no provision in the Education Code directly on point. Ms. Leoni noted in her memorandum that in the somewhat, but not identical, situation where an existing district is divided and the original district ceases to exist, Section 35577 requires the board of supervisors to allocate the bonding authority between the two new districts based upon respective assessed valuations. She points out, however, that

because a Malibu separation would not result in the District ceasing to exist, Section 35577 is not directly applicable. Therefore, in order to allocate the bonding authority between SMUSD and MUSD, Ms. Leoni and DWK both believe that special legislation would be necessary.

If separation occurs and SMUSD is to issue the remaining bonds, it would obviously give SMUSD more money than Santa Monica schools would receive in the absence of separation because none of the proceeds would need to be shared with MUSD - the full \$295MM rather than \$236MM. However, due to the 30% reduction in assessed valuation resulting from the loss of Malibu property, it will take considerably longer to issue bonds in the aggregate amount of \$236MM and even longer to realize the full \$295MM.

Alternatively, if separation occurs and special legislation gives MUSD the authority to issue some portion of the ES bonds backed solely by property Malibu, SMUSD would retain authority to issue bonds in the aggregate amount of about \$206.5MM (70% of the \$295MM total based on assessed valuation) and MUSD the remaining \$88.5MM (30%).

Neither solution leaves Santa Monica voters where they thought they were under Measure ES which was to have up to 80% of the ES bond proceeds available for Santa Monica schools with only 70% of the bonded indebtedness being paid for by Santa Monica property owners. The reasons for the mismatch are that there was (and is) a much greater perceived need for capital expenditures on Santa Monica schools, Santa Monica High School in particular, and the 80%/20% split roughly mirrors the pupil breakdown. The only way to achieve this result would be to have special legislation giving SMUSD the power to issue ES bonds backed by all property that was in the District prior to separation and requiring SMUSD to transfer a portion of the net bond proceeds to MUSD in amounts which would preserve the 20% allocation to Malibu schools. A similar structure was included as a part of the special legislation surrounding the Wiseburn/Centinela Valley separation.

Another unknown is the impact of separation on the AA credit rating of the District since it is possible that neither SMUSD nor MUSD could achieve that same level. Tony Hsieh advised us that a one-level drop in the rating would probably equate to a 15 basis point increase in the interest rate that would be required to be paid on new bond issues.

2. Certificates of Participation. These certificates were issued as a method to finance certain lease obligations in connection with property in Santa Monica. Two series are currently outstanding:

2001 Series C maturing 5/1/2025 - \$8,548,000
2010 Series B maturing 2/1/2024 - \$7,925,000

The FOC believes that the indebtedness under these instruments should remain with the District because it will continue to own that property.

3. Compensated Absences. This liability is primarily for untaken sick leave and, with respect to classified employees, untaken vacation leave. The FOC believes that allocation of this liability may be feasible based on which employees ultimately work for which district.

4. OPEB. The 2015 actuarial study concludes that the District's unfunded liability is around \$36,000,000, an increase of almost \$10,000,000 from that contained in the 2013 report. GASB 68 requires, beginning with the current fiscal year, that the unfunded liability be reported on the financial statements. As explained in connection with the Self-Insurance Fund above, the \$5,800,000 negative balance reflected in that Fund represents the difference between the amount the District should have been contributing annually in order to retire the unfunded liability over a 30-year period - \$8,800,000 - over the \$3,000,000 the District has set aside rather than utilizing the pay-as-you-go system. Because the District has contributed about \$3,000,000 to the Self-Insurance Fund, as reflected above, the net deficit is \$5,487,000. The allocation of this liability will require further discussion because it is a combination of obligations to current employees and retired employees.

C. Litigation.

The Subcommittee is aware of two pending lawsuits against the District and, in one case, against certain officers of the District.

1. School Lights. One pending lawsuit challenges the adequacy of the CEQA analysis relating to installation of lights at Malibu High School - we do not believe it seeks monetary damages against the District. Presumably, if there were a separation, MUSD would step into the District's position with respect to this litigation and the District, now being SMUSD, would be dismissed - SMUSD would no longer have any jurisdiction over installation of the lights. Presumably any funds earmarked for this project would be transferred to MUSD as a part of the allocation of assets. The trial court held in favor of the District but the plaintiffs have recently appealed.

Related to this lawsuit is an appeal of the City's approval of the project under the Coastal Act to the Coastal Commission; that appeal is also pending. If there were a separation, presumably MUSD would assume control of this appeal and SMUSD would no longer be involved.

2. Toxic Substances Control Act. A lawsuit has recently been filed against the District, Board members, Sandy and Jan associated with the disputed procedures followed by the District with respect to the investigation and remediation of PCBs in certain Malibu classrooms. The suit alleges failure to comply with the Toxic Substances Control Act and may have certain other allegations - the Subcommittee has not reviewed the Complaint.

It is the Subcommittee's position that any separation would need to be conditioned upon a release of any such claim to the extent that it might continue to apply to SMUSD, its Board members and officers. The Subcommittee believes that MUSD should be obligated to indemnify SMUSD for any exposure to future claims based upon any failure to properly remediate any existing conditions because responsibility to deal with the Malibu facilities would, following a separation, be under the sole jurisdiction of MUSD. However, we are not clear on what other exposure might remain to SMUSD, such as personal injury claims, and, if any, to what extent it is appropriate for MUSD to provide an indemnity and how a meaningful indemnity would be crafted. Clearly, this subject needs further legal analysis by competent counsel as to the nature of any continuing exposure to SMUSD, the proper allocation of responsibility, and the appropriate means to achieve that allocation.

TO: BOARD OF EDUCATION

DISCUSSION

11/19/15

FROM: SANDRA LYON / JANECE L. MAEZ

7:30 p.m.

RE: RECEIPT OF AND DISCUSSION REGARDING UPDATED INFORMATION FROM THE FINANCIAL OVERSIGHT COMMITTEE (FOC) REPORT ON BUDGETARY IMPLICATIONS OF A MALIBU UNIFICATION

DISCUSSION ITEM NO. D.01

At the July 15, 2015, joint meeting between the SMMUSD Board of Education (Board) and the district's Financial Oversight Committee (FOC), the Board heard reports from the FOC related to a proposed action to reorganize the existing Santa Monica-Malibu Unified School District by forming a new Malibu Unified School District from parts of the existing District. The FOC had studied several aspects of the proposed unification and reported on two major areas of consideration: 1) the division of assets and liabilities and 2) the impact to the district on fiscal operations. The scope of the study included the impact to the budget of a Santa Monica USD as well as the fiscal viability and sustainability of a Malibu USD. The FOC was charged by the Board to determine if potential "deal breakers" existed in either of these areas. The entire scope of the FOC's work was financial in nature and not intended to formulate an opinion on the subject of unification. The general conclusion at the time of the FOC report in July was that significant "deal breakers" in terms of the financial aspects of unification did not exist.

When the 2014-15 Unaudited Actuals report for SMMUSD was presented to the Board on September 2, 2015, staff described a new set of circumstances relative to the LCFF revenue calculation. The report and presentation by staff described how SMMUSD is now considered a Minimum State Aid district and why the revenue for the year was much greater than had been expected. The Minimum State Aid calculation increased the 2014-15 revenue and fund balance by greater than \$7.0 million.

The Board asked the FOC to update their analysis based on the new information with regards to the Minimum State Aid calculation. WestEd, contracted by Advocates for Malibu Public Schools (AMPS) to prepare a potential Malibu USD budget, updated its report with the new information. Similarly, SMMUSD staff updated the potential Santa Monica USD budget. The subcommittee of the FOC met twice to review the analysis. The subcommittee led a discussion of the updated information at a full FOC meeting on November 12, 2015. Representatives of the FOC will be present at tonight's Board meeting to present the updated information.

***** ***** ***** ***** ***** *****

Public Comments:

- *Kevin Shenkman, Debbie Mulvaney, Seth Jacobson, and Tom Larmore addressed the board regarding this item.*

Ms. Maez's presentation can be found under Attachments at the end of these minutes.

Staff answered board members' questions regarding the three-year trend of the financials presented, potential budgetary trends for Basic Aid districts, what factors have been included in the updated budgetary analysis, and how property tax revenue is currently distributed between Santa Monica and Malibu.

The board discussed their individual opinions regarding the data that was presented.



SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

Receipt of Updated Information from the Financial Oversight Committee (FOC) on Budgetary Implications of a Malibu Unification

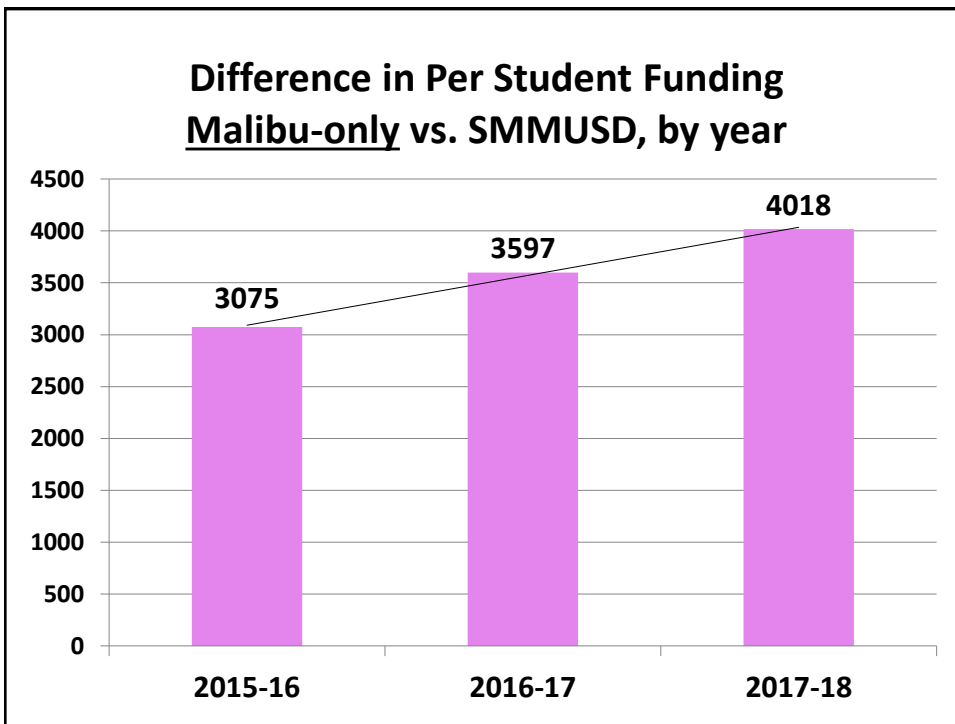
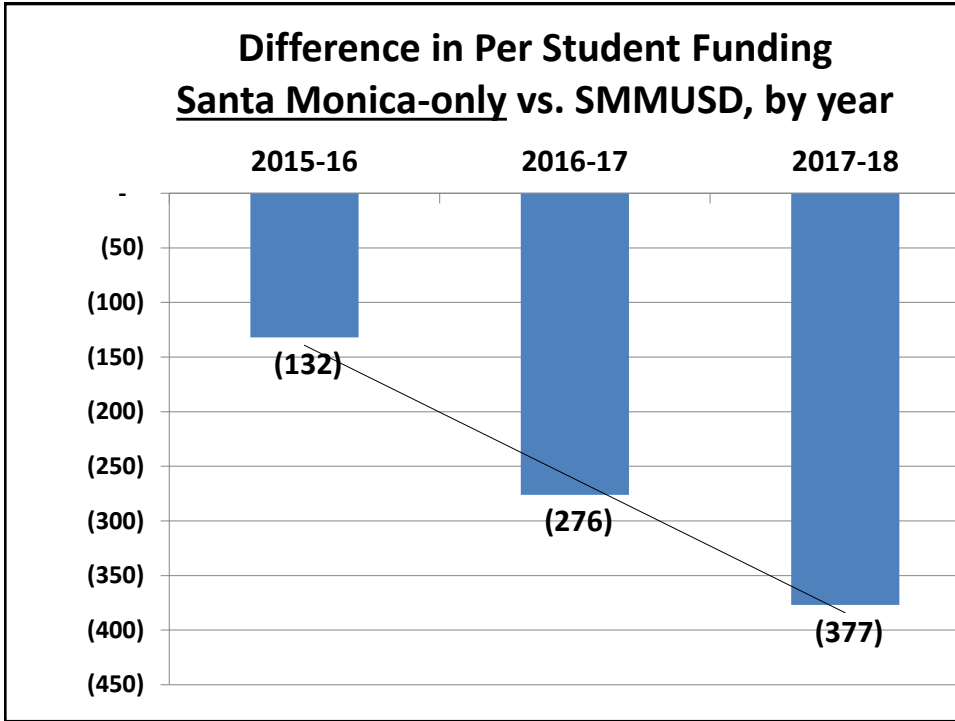
Presented by
Joan Krenik, FOC Chair
Janece L. Maez, CFO
November 15, 2015 Board of Education Meeting
Agenda Item D.o1.

SMMUSD vs SMUSD-only After the Unaudited Actual Report - with Minimum State Aid Consideration

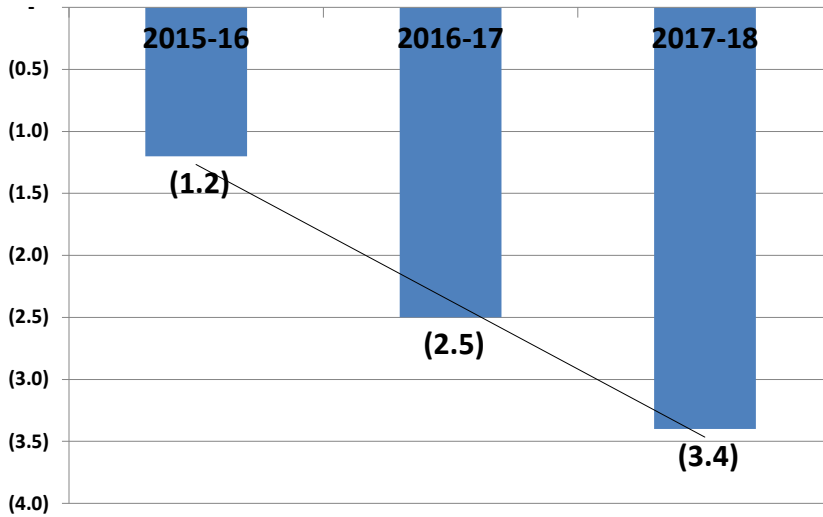
	After Unaudited Actuals-with Minimum State Aid					
	2015-16		2016-17		2017-18	
		per ADA		per ADA		per ADA
SMMUSD						
ADA	10795		10678		10678	
LCFF Revenue Subtotal	86,611,832	8,023	90,419,883	8,468	94,395,035	8,840
Total Revenue	104,431,204	9,674	102,447,111	9,594	106,312,215	9,956
Total Expenditure	102,112,929	9,459	103,631,454	9,705	106,766,412	9,999
Change in Fund Balance	2,318,275	215	(1,184,343)	(111)	(454,197)	(43)
% of Revenues	2.22%		-1.16%		-0.43%	
Beginning Fund Balance	31,534,918	2,921	33,853,193	3,170	32,668,850	3,059
Ending Fund Balance	33,853,193	3,136	32,668,850	3,059	32,214,653	3,017
SMUSD - only						
ADA	8999		8920		8920	
LCFF Revenue Subtotal	69,829,637	7,760	71,977,194	8,069	74,346,637	8,335
Total Revenue	85,867,881	9,542	83,114,420	9,318	85,442,505	9,579
Total Expenditure	86,671,184	9,631	87,888,225	9,853	90,719,826	10,170
Change in Fund Balance	(803,303)	(89)	(4,773,805)	(535)	(5,277,321)	(592)
% of Revenues	-0.94%		-5.74%		-6.18%	
Beginning Fund Balance	26,300,122	2,923	25,496,819	2,858	20,723,014	2,323
Ending Fund Balance	25,496,819	2,833	20,723,014	2,323	15,445,693	1,732
Difference SMUSD - only vs SMMUSD						
ADA	(1,796)		(1,758)		(1,758)	
LCFF Revenue Subtotal	(16,782,195)	(264)	(18,442,689)	(399)	(20,048,398)	(505)
Total Revenue	(18,563,323)	(132)	(19,332,691)	(276)	(20,869,710)	(377)
Total Expenditure	(15,441,745)	172	(15,743,229)	148	(16,046,586)	172
Change in Fund Balance	(3,121,578)	(304)	(3,589,462)	(424)	(4,823,124)	(549)
% of Revenues	16.82%		18.57%		23.11%	
Beginning Fund Balance	(5,234,796)	1	(8,356,374)	(312)	(11,945,836)	(736)
Ending Fund Balance	(8,356,374)	(303)	(11,945,836)	(736)	(16,768,960)	(1,285)

SMMUSD vs MUSD-only After the Unaudited Actual Report - with Minimum State Aid Consideration						
	After Unaudited Actuals-with Minimum State Aid					
	2015-16		2016-17		2017-18	
	10795	per ADA	10678	per ADA	10678	per ADA
SMMUSD						
ADA						
LCFF Revenue Subtotal	86,611,832	8,023	90,419,883	8,468	94,395,035	8,840
Total Revenue	104,431,204	9,674	102,447,111	9,594	106,312,215	9,956
Total Expenditure	102,112,929	9,459	103,631,454	9,705	106,766,412	9,999
Change in Fund Balance	2,318,275	215	(1,184,343)	(111)	(454,197)	(43)
% of Revenues	2.22%		-1.16%		-0.43%	
Beginning Fund Balance	31,534,918	2,921	33,853,193	3,170	32,668,850	3,059
Ending Fund Balance	33,853,193	3,136	32,668,850	3,059	32,214,653	3,017
MUSD - only						
ADA	1783		1756		1692	
LCFF Revenue Subtotal	21,761,673	12,205	22,357,603	12,732	22,963,972	13,572
Total Revenue	22,730,965	12,749	23,164,093	13,191	23,645,046	13,975
Total Expenditure	19,422,201	10,893	20,031,975	11,408	20,813,139	12,301
Change in Fund Balance	3,308,764	1,856	3,132,118	1,784	2,831,907	1,674
% of Revenues	14.56%		13.52%		11.98%	
Beginning Fund Balance	5,266,331	2,954	8,575,095	4,883	11,707,213	6,919
Ending Fund Balance	8,575,095	4,809	11,707,213	6,667	14,539,120	8,593
Difference MUSD - only vs SMMUSD						
ADA	(9,012)		(8,922)		(8,986)	
LCFF Revenue Subtotal	(64,850,159)	4,182	(68,062,280)	4,264	(71,431,063)	4,732
Total Revenue	(81,700,239)	3,075	(79,283,018)	3,597	(82,667,169)	4,018
Total Expenditure	(82,690,728)	1,434	(83,599,479)	1,703	(85,953,273)	2,302
Change in Fund Balance	990,489	1,641	4,316,461	1,895	3,286,104	1,716
% of Revenues	-1.21%		-5.44%		-3.98%	
Beginning Fund Balance	(26,268,587)	32	(25,278,098)	1,713	(20,961,637)	3,860
Ending Fund Balance	(25,278,098)	1,673	(20,961,637)	3,608	(17,675,533)	5,576

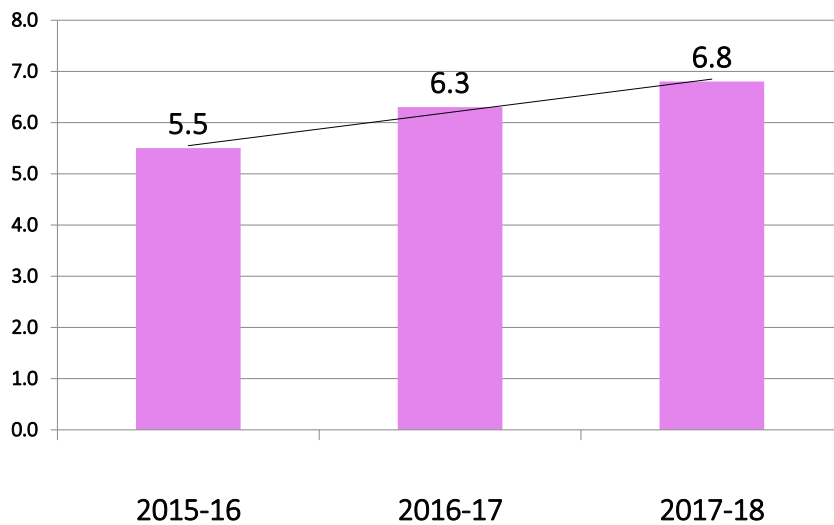
Differences between Individual Districts and SMMUSD		
	SMUSD	MUSD
2015-16		
Per Student Funding	(132)	3,075
Funding	(\$1.2M)	\$5.5M
2016-17		
Per Student Funding	(276)	3,597
Funding	(\$2.5M)	\$6.3M
2017-18		
Per Student Funding	(377)	4,018
Funding	(\$3.4M)	\$6.8M

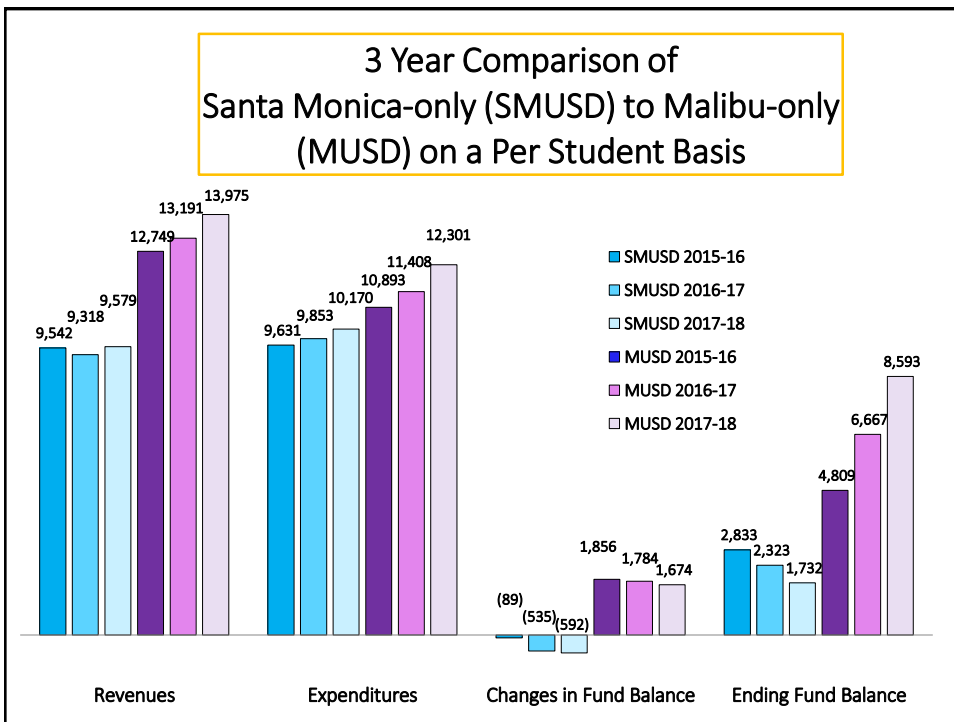
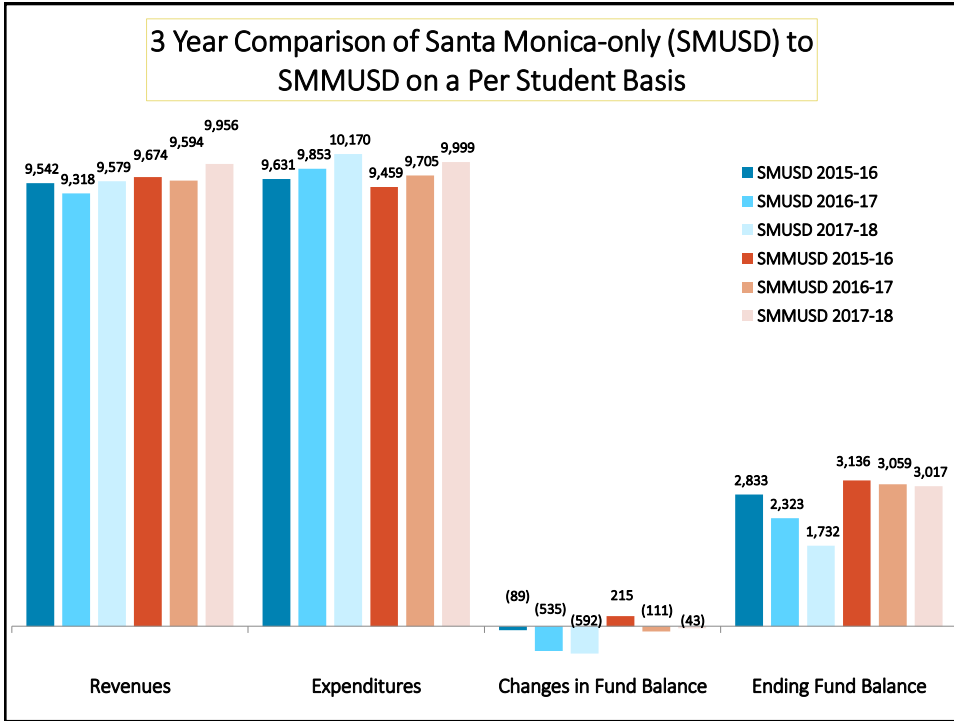


**Difference in Total Funding for
Santa Monica-only Schools vs. SMMUSD, By
Year in Millions of Dollars**



**Difference in Total Funding for
Malibu-only Schools vs. SMMUSD, By
Year in Millions of Dollars**





TO: BOARD OF EDUCATION

ACTION/MAJOR
12/17/15

FROM: LAURIE LIEBERMAN / JOSE ESCARCE / CRAIG FOSTER

RE: PROCESS OF NEGOTIATIONS BETWEEN SANTA MONICA-MALIBU BOARD OF EDUCATION AND REPRESENTATIVES OF A POTENTIAL MALIBU UNIFIED SCHOOL DISTRICT REGARDING RESOLUTION OF ISSUES AND CONCERNS PERTINENT TO UNIFICATION OF A SEPARATE MALIBU UNIFIED SCHOOL DISTRICT

RECOMMENDATION NO. A.16

During its November 19, 2015, meeting, the Board of Education heard two Discussion Items related to the potential unification of a Malibu Unified School District. During the first of those items, the Santa Monica-Malibu Unified School District's Financial Oversight Committee (FOC) presented an update to its July 15 report regarding the financial implications of unification of a separate Malibu Unified School District, based on new information received in September. The second item involved a discussion of how best to respond to the updated information presented by the FOC.

In its report, the FOC concluded as follows:

“After careful analysis of updated operating budgets and projections provided by the District's fiscal services department and WestEd, which now reflect the District's new understanding about the effects of minimum state aid, the FOC concludes that the Santa Monica-only district financial picture would be significantly different than what was reported to the Board by the FOC in July 2015 and is significantly worse on a per-student basis, as compared with continued operation of the existing District. As part of the discussion, the FOC also considered other issues that could affect the overall financial change with a Malibu-only district and a Santa Monica-only district. These changes are outside of the operating budget but could include for a Santa Monica-only district some relief from ongoing legal fees related to facility-related litigation in Malibu and SMMEF funding that will no longer be required by a separate Malibu-only district.”

During discussion of how to respond to the FOC's report, Board of Education members and members of the public expressed their views about certain nonfinancial benefits that would accrue to one or both of the two districts that would be created as a result of unification (the Santa Monica Unified School District and the Malibu Unified School District). However, Board of Education members and members of the public expressed particular concern about the negative financial consequences to the resulting Santa Monica Unified School District arising from unification, as identified by the FOC report. The Board of Education also expressed its unanimous desire for the co-existence of the Santa Monica Unified School District and the Malibu Unified School District as two excellent school districts serving their respective communities and providing the best educational opportunities for their respective students as long as it can be accomplished in a manner that does not have a negative impact on the financial condition of the remaining Santa Monica Unified School District.

The Board's discussion and public testimony also revealed a strong willingness and desire on the part of the respective communities of Malibu and Santa Monica to engage in negotiations in an effort to resolve both the financial concerns raised by the FOC report and any other financial issues regarding unification of a separate Malibu Unified School District that remain unresolved from previous discussions. Consequently, at the conclusion of the discussion, the Board of Education directed the Board's subcommittee on unification to refine the next steps so that Board leadership and District staff could prepare a Major Action Item for Board consideration

that would specify guidelines and a process for conducting such negotiations. This item has been prepared to comply with the Board's direction.

Negotiating teams: Negotiations will be conducted by two teams of negotiators, one appointed by the Superintendent of the Santa Monica-Malibu Unified School District and the other appointed by the City Manager of the City of Malibu. In this item, we refer to these teams as the "Santa Monica team" and "Malibu team," respectively, because the former will represent the interests of a potential separate Santa Monica Unified School District ("SMUSD") in the negotiations, whereas the latter will represent the interests of a potential separate Malibu Unified School District ("MUSD"). Each team shall have a maximum of three members. Both teams are instructed to work cooperatively with one another and with their counterparts, to develop and agree upon terms that promote the aspirations of the Board, as set forth above.

Issues to be negotiated: The issues to be negotiated by the negotiating teams will include, but will not necessarily be limited, to the following financial items:

- Payment(s) to be made to address any significant adverse financial impacts of unification (e.g., by MUSD to SMUSD) including:
 - Payment amount(s) or formula(e)
 - Payment frequency
- Allocation of cash in the General Fund Accounts
- Allocation of cash in the Capital Facilities Fund (e.g., developer fees)
- Allocation of outstanding bond debt
- Allocation of unspent bond proceeds
- Allocation of authorized but unissued bonds
- Elimination of post-unification liability (e.g., liability to a Santa Monica Unified School District for environmental issues at Malibu schools); and
- If needed, a mechanism for review and possible alteration of the agreed upon items (e.g., every 5 years or upon the request of either side as a result of a material change in financial conditions)

If, once negotiations have commenced, the negotiating teams agree that other financial issues should be added to the list, they may address those issues as well and will notify the Superintendent and City Manager, as well as the Board of Education, during monthly presentations on the progress of negotiations (see below).

Board's objectives: The SMMUSD Board of Education's objectives for the negotiations will include, but will not necessarily be limited, to the following:

- Elimination of any significant adverse financial effects of separation on SMUSD.
- Allocation of cash in the General Fund Accounts and the Capital Facilities Fund in a manner which is fair to both MUSD and SMUSD considering the sources and uses of cash in the various funds.
- Allocation of bond debt and authority to issue authorized but unissued bonds in a manner which is fair to both MUSD and SMUSD and establishment of any legal mechanisms which might be required to achieve fairness.
- Establishment of a mechanism which would permit refinancing of outstanding bonds in order to reduce property tax assessments.
- Establish a procedure under which agreements on the preceding four items can be revisited on a reasonable schedule.
- Establishment of a structure under which MUSD assumes responsibility for any remaining remediation of any contamination in Malibu schools and indemnifies SMUSD for any future claims arising from such remediation work or failure to undertake appropriate work.

- Dismissal of the pending lawsuit against SMMUSD or an enforceable agreement from the plaintiffs that SMUSD will be dismissed from the lawsuit.
- Receipt by the Board of a legal opinion from a firm selected by the Board with respect to any potential continuing exposure of SMUSD following separation and a conclusion by the Board that any such exposure is reasonable.

Negotiation process: The negotiating teams will meet at mutually agreed upon dates, times and locations and at a frequency required to make satisfactory progress toward a successful conclusion of the negotiations (see below). The negotiating teams will identify an objective, impartial facilitator to assist in the negotiations and will agree on the facilitator's role during the negotiations. The identified individual will be approved by the Superintendent and City Manager before negotiations involving the facilitator can begin.

The costs of the services provided to the negotiators by the facilitator will be split evenly between the Santa Monica-Malibu Unified School District and Advocates for Malibu Public Schools ("AMPS").

Resource support for negotiators: The Board of Education anticipates that the negotiators will likely require access to at least three sources of support to address questions that arise during the negotiations: (1) an educational consultant to provide support on questions of a technical budgeting nature, (2) a knowledgeable law firm to provide support on legal questions associated with certain non-budgetary financial issues (e.g., facility bonds); and (3) a separate law firm to provide support on the environmental liability matter. The negotiating teams are also encouraged to communicate with the staff of the Los Angeles County Office of Education to address any questions or concerns of a legal, procedural or budgetary nature and with our various elected representatives and other parties in the State legislature, as appropriate.

Based on past discussions, the Board expects that Advocates for Malibu Public School (AMPS) will agree to pay for all mutually agreed upon services provided to the negotiators by (1) the educational consultant(s), (2) the law firm providing legal support with respect to questions on non-budgetary financial issues, and (3) the firm providing legal guidance relating to environmental liability. The appropriate agreements between the Santa Monica-Malibu Unified School District and AMPS to ensure such payment shall be executed prior to commencement of negotiations.

Period of negotiation: The Board of Education anticipates that negotiations will conclude within 60 days of the first meeting of the two negotiating teams. Upon agreement by the two negotiating teams, and with the consent of the Board of Education, the negotiation period may be extended by an additional 30 days. If successful negotiations (see below) are not concluded after a total of 90 days, the Board of Education or City of Malibu may, at their sole discretion, terminate negotiations.

Reporting on progress of negotiations: The Santa Monica negotiating team will present information on the progress of negotiations at least monthly after negotiations begin. These presentations will be agendaized as Reports under the Communications section of the Board's meeting agenda. The presentations will provide an opportunity for the Santa Monica team of negotiators to answer the Board of Education's questions, ask questions of the Board, and receive direction from the Board.

Final report on negotiations and public input on report: At the conclusion of successful negotiations (see below), the two negotiating teams will prepare a written report documenting all the items that were addressed in the negotiations and the agreements reached on each item. The report will be signed and approved by both negotiating teams. The signed report will be made available for public inspection by posting it on the District's website and press releases and other dissemination approaches will be used to encourage interested members of the public to review the report.

Following a two-week period for public review the board will discuss the final written report on the negotiations as a Discussion Item during a regular Board meeting. At this point, the Board of Education may determine that changes to the negotiated agreement are required, based on comments from the public and its own discussion,. If so, it will communicate the required changes to the Santa Monica negotiating team and ask them to reopen the negotiations with the goal of incorporating the required changes. After the changes are incorporated the written report will be modified as needed. Alternatively, if the Board determines that no changes in the negotiated agreement are required, the final report will be presented to the Board as a Major Action Item at the next regular Board meeting.

Determination of successful negotiations: Negotiations will be determined to have been completed successfully when four conditions are met: (1) the negotiating teams collectively determine that negotiations have achieved the Board's objectives and presents the evidence for their determination in a Discussion Item during a regular meeting of the Board of Education; (2) any technical and legal concerns regarding the negotiated agreements have been resolved satisfactorily, (3) the Board of Education determines that negotiations have achieved its objectives and formally approves the written report and the agreements therein as a Major Action Item during one of its regular public meetings, and (4) the Malibu City Council formally approves the written report and the agreements therein during one of its regular public meetings.

Dr. Tahvildaran-Jesswein requested that board ratify the superintendent's choice of three SMMUSD representatives; the board agreed. He also requested that the committee be called a blue ribbon committee; he later withdrew that request. Ms. Leon-Vazquez expressed her opinion that negotiations are premature and should wait until after a petition is submitted to the county and the county responds; however, she later said she would support the item with conditions. The board agreed that the progress reports to the board could come forward in whatever format the superintendent deemed most appropriate.

Ms. Leon-Vazquez MOVED to approve the recommendation with the following amendments: the committee selected by the superintendent will be ratified by the board; Mr. Foster's name will be added to the top of this agenda item; the superintendent will be given flexibility as to the format of the committee's progress reports to the board (e.g., Friday Memo, discussion item, or information item); and that no elected officials will serve on the committee representing SMMUSD (with a strong preference that the City of Malibu follow suit).

SECONDED BY: Dr. Escarce

STUDENT ADVISORY VOTE: N/A

AYES: 7 (Lieberman, Mechur, de la Torre, Escarce, Leon-Vazquez, Tahvildaran-Jesswein, Foster)

NOES: 0

TO: BOARD OF EDUCATION

ACTION/CONSENT

01/21/16

FROM: SANDRA LYON

RE: RATIFICATION OF THREE-MEMBER COMMITTEE REPRESENTING SMMUSD IN NEGOTIATIONS BETWEEN SANTA MONICA-MALIBU BOARD OF EDUCATION AND REPRESENTATIVES OF A POTENTIAL MALIBU UNIFIED SCHOOL DISTRICT REGARDING RESOLUTION OF ISSUES AND CONCERNS PERTINENT TO UNIFICATION OF A SEPARATE MALIBU UNIFIED SCHOOL DISTRICT

RECOMMENDATION NO. A.26

It is recommended that the Board of Education ratify the following three individuals the superintendent has chosen to represent the Santa Monica-Malibu Unified School District (SMMUSD) in negotiations between the SMMUSD Board of Education and representatives of a potential Malibu Unified School District (MUSD) regarding the resolution of issues and concerns pertinent to the unification of a separate MUSD:

- Tom Larmore
- Debbie Mulvaney
- Paul Silvern

COMMENTS: At the December 17, 2015, special board meeting, the board approved a process by which the two entities – SMMUSD and representatives of a potential MUSD – would negotiate the resolution of issues and concerns regarding the unification of an MUSD.

During the approval of that item, the board agreed that it would ratify the superintendent's choice of three individuals to serve on the negotiating team representing SMMUSD. Tom Larmore, Debbie Mulvaney, and Paul Silvern were chosen to represent SMMUSD due to their in-depth knowledge of the district's and Financial Oversight Committee's issues and concerns associated with a potential unification of an MUSD.

Malibu's City Manager has selected the following three individuals to serve on the committee that will represent a potential MUSD:

- Laura Rosenthal
- Kevin Shenkman
- Manel Sweetmore

MOTION MADE BY: Ms. Leon-Vazquez

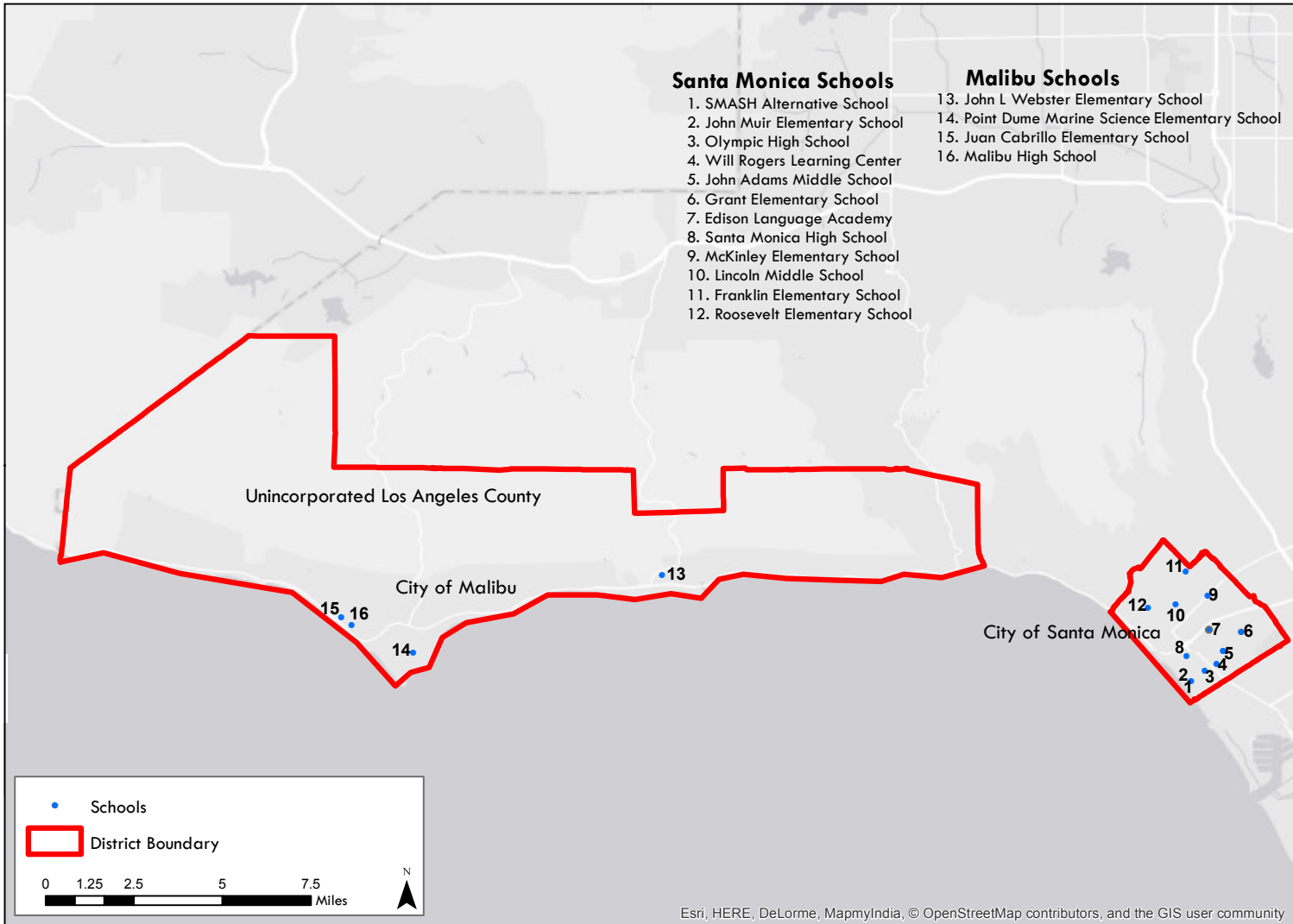
SECONDED BY: Dr. Tahvildaran-Jesswein

STUDENT ADVISORY VOTE: N/a

AYES: 7 (Lieberman, Mechur, de la Torre, Escarce, Leon-Vazquez, Tahvildaran-Jesswein, Foster)

NOES: 0

ABSENT: 0



Santa Monica-Malibu Unified School District

Date: 2/21/2017

APPENDIX B: B.26

<http://www.cde.ca.gov/re/lr/do/>

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

AMERICA UNITES FOR KIDS, et al.,
Plaintiffs,
v.
SANDRA LYON, et al.,
Defendants.

CV 15-2124 PA (AJWx)
JUDGMENT AND PERMANENT
INJUNCTION

Pursuant to this Court’s Findings of Fact and Conclusions of Law, it is hereby
ORDERED, ADJUDGED, AND DECREED:

1. Plaintiff Public Employees for Environmental Responsibility is dismissed for lack of standing.
2. Defendants Sandra Lyon in her official capacity as Superintendent of the Santa Monica-Malibu Unified School District, Janece Maez, in her official capacity as Associate Superintendent and Chief Financial Officer of the Santa Monica-Malibu Unified School District, and Laurie Lieberman, Dr. Jose Escarce, Craig Foster, Maria Leon-Vazques, Richard Tahvildaran-Jesswein, Oscar De La Torre, and Ralph Mechur, in their official capacities as members of the Santa Monica-Malibu Unified School District Board of Education (collectively “Defendants”) are hereby permanently enjoined from using any


1 office, classroom, or other structure at Juan Cabrillo Elementary School (“JCES”) and
2 Malibu Middle and High School (“MHS”) (collectively the “Malibu Campus”) constructed
3 prior to 1979 in which students, teachers, administrators, or staff are regularly present after
4 December 31, 2019, unless all window and door systems and surrounding caulk at any such
5 location has been replaced.

6 3. Plaintiffs, their officers, directors, members, supporters, employees, and
7 anyone acting in concert with them, are permanently enjoined from sampling or testing
8 caulk, other building materials, or any other item or location at the Malibu Campus, except
9 with the express authorization of a court of competent jurisdiction.

10 4. Consistent with the December 21, 2015 Minute Order granting in part the
11 Motion for Sanctions filed by Defendants (Dkt. No. 76), each party shall bear its own costs
12 and attorneys’ fees.

13 The Clerk is ordered to enter this Judgment and Permanent Injunction.

14 DATED: September 1, 2016

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17 Percy Anderson
18 UNITED STATES DISTRICT JUDGE
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