

**Malibu Unification Negotiations Committee
Meeting Minutes**

Tuesday, September 20, 2016

6:00 pm – 9:00 pm

SMMUSD District Office Conference Room

1651 16th St., Santa Monica, CA 90404

I. Call to Order / Roll Call

The committee called the meeting to order at 6:03 p.m. with the following committee members present:

Tom Larmore

Paul Silvern

Laura Rosenthal

Manel Sweetmore

Makan Delrahim

Debbie Mulvaney was absent.

II. Approval of Meeting Minutes for September 13, 2016

- *Mr. Silvern offered minor corrections to the minutes of September 13, 2016.*
- *By consensus, the committee approved the corrected minutes for the September 13, 2016 meeting.*

III. Follow-up Business from Previous Meetings

A. Status of videoconference with Tony Hsieh (Orlansky)

B. Status of Committee's information request regarding SMMUSD's revenue producing assets (Orlansky)

Ms. Orlansky reported she is waiting to hear from Ms. Maez on these two items.

IV. Continuation of Worksession on Principles and Terms of Agreement

The committee had planned to begin with a discussion of Topic 2, Allocation of Bond Debt and Authorization to Issue New Bonds. However, the committee decided to postpone discussion of Topic 2 until Ms. Mulvaney was present because of her a special expertise on bond-related issues. Instead, the committee decided to begin with a continued discussion of Topic 3, Operating Budget Impacts, and in particular, to the issue of how long a formula for revenue neutrality remains in place.

From a process perspective, Ms. Orlansky suggested one approach to consider when discussing particularly complex issues. This approach has three parts to it:

Part (1): Committee members get uninterrupted time to share their respective interests, ideas, and concerns.

Part (2): Committee members have the opportunity to ask and answer clarifying questions for the purpose of better understanding what each other is

communicating. (This is not the time to react with an opinion or judgment about what each other has shared.)

Part (3) The Committee as a whole examines how the interests, ideas, and concerns expressed relate to one another. Where are they the same? Where are they different but not in conflict? Where are they in conflict?

During the subsequent discussion, the committee worked from the latest version of the term sheets, which reflected the committee's decisions through September 13. (See Attachment to minutes.)

Discussion of Section C, Time frame for how long a formula for revenue neutrality remains in place.

The committee discussed a number of options for designating a time frame, but did not arrive at any decisions. The committee agreed that each team would caucus before the next meeting, and return with one or more specific proposals for the full MUNC to consider.

The committee's observations and key discussion points on the time frame issue are summarized below.

General Comments on Time Frame

The committee identified factors to take into consideration when deciding how long a formula for revenue neutrality remains in place. The term "delta" refers to the projected difference in revenue per ADA in Santa Monica if SMMUSD separates into SMUSD and MUSD vs. if SMMUSD remains one district.

- *Projected trajectory of the delta.* *SSC's projections show that in the near term (i.e., next five years), the delta is relatively small or even non-existent. However, in the longer term, the delta increases, e.g., the projections show the per ADA difference exceeding \$1,300 in fiscal year 2028-29. In order to achieve the Board's directive to "eliminate any significant adverse financial impact on SMUSD from separation," the recommended time frame needs to address this projected scenario.*
- *There is uncertainty in any projection.* *SSC's projections (like any projection) are based on certain assumptions that may turn out to be incorrect. As a result, the recommended time frame needs to acknowledge that even the best projections contain uncertainty, and that the calculation of any payments (or credits) will be based on audited financials and not projections.*

Examples of assumptions that could change the projected delta over time are: the State’s education funding formula; annual growth (or decline) in assessed property values; and establishment of new revenue sources for funding schools.

- *Other factors to consider:*
 - *The recommended formula and time frame should be logical and understandable, and demonstrate fair treatment of both districts.*
 - *No one wants to harm the education of students in either district.*
 - *The goal is for the two districts to separate under terms and conditions that promote an ongoing, collegial relationship.*
 - *The shorter the time frame, the higher the probability that the projected delta will be accurate, and the sooner the two districts will arrive at a point of clear separation.*
 - *Any proposed time frame must fit within the confines of the BOE’s instructions, and the BOE has made it clear that Santa Monica students must remain financially whole post-separation.*
 - *The approval of an agreement depends on the committee’s ability to communicate to the Board and other stakeholders that the agreement is reasonable, fair, and equitable.*
 - *While the length of a payment plan can range from 0 to infinity, neither extreme is practical. Zero is impractical because the mandate from the BOE is to ensure that separation has no significant adverse financial impact on SMUSD. And a payment plan without a specified end also is impractical because there is no way to realistically anticipate the many financial changes that could occur over multiple decades into the future. Besides, neither extreme would receive sufficient support as the process of approval moves forward.*

Variables in a Time Frame Proposal and Examples

The committee identified the following variables as potential components of a time frame proposal. These variables could be used separately or in combination with one another.

1. *A fixed number of years upfront that Santa Monica is guaranteed 100% revenue neutrality. (This was termed a “safety zone.”)*
2. *A fixed number of consecutive years when the delta is zero, after which the time frame and/or calculation changes. (This was termed a “look-back provision.”)*
3. *A fixed number of consecutive years during which the calculation of a payment would gradually be reduced, resulting in less than a 100% revenue neutrality goal. (This was termed “tapering.”)*
4. *Any option could delineate a dollar amount (or percent) of a calculation as a minimum threshold for requiring payment. For example, if the delta is smaller*

than \$X or X% of something else, then no payment would be required and no credit would be booked.

Examples proffered by committee members that illustrate how a time frame proposal might read included:

Example #1: MUSD agrees to pay an annual amount to SMUSD such that SMUSD remains 100% revenue neutral for X years, after which the agreement ends.

Example #2: MUSD agrees to pay an annual amount to SMUSD such that SMUSD remains 100% revenue neutral for X years; after year X, once there is Y number of consecutive years during where the calculation of the delta is zero, then the agreement ends.

Example #3: MUSD agrees to pay an annual amount such that SMUSD remains 100% revenue neutral for X years; after year X, the calculation of revenue neutrality tapers meaning that the percent of guaranteed revenue neutrality for SMUSD is reduced by Z% every year. (Z could be a fixed or variable number.)

*Changes and Additions to the Term Sheet for Topic 3, Operating Budget Impacts
During the course of the committee's worksession, the committee agreed to the following changes and additions to the term sheet for Topic 3.*

- *Changes/Additions to Section A. Revenue Sources*
 - *Amend A.1, Revenue Sources to Include, by adding a new category titled "Other State revenue." And in this new category, list "Lottery Fund Revenue" and "Mandated Cost Block Grant Revenue."*

Previously, the committee tentatively classified these two as revenue sources to exclude because these funds are allocated on a per ADA basis and would not affect the calculation of the delta. Upon further discussion, the committee came around to agreeing with one member's argument that excluding revenue sources will raise more questions than it's benefit in terms of simplifying the calculation.

- *Amend A.1. Revenue Sources to Include, by adding a new category titled "New sources of revenue established post-separation." Based on numerous conversations about this issue in recent months, the committee decided the fair and equitable thing is to include new sources of revenue established post separation by Santa Monica, and to include the new parcel tax in Malibu that has been identified by Malibu as a prerequisite to separation. This new Malibu parcel tax is expected to be equivalent to the parcel tax that Malibu residents currently pay to SMMUSD.*

- *Consistent with the above changes, Amend A.2. Revenue Sources to Exclude, to delete the paragraphs numbered 2 and 3.*
- *Changes/Additions to Section B, Defining “revenue neutrality” in greater detail*
 - *Amend this section to articulate the committee’s agreement to calculate the delta annually, and to describe the agreed-upon process of tracking Malibu’s owed payments or credits from year to year.*
 - *Specifically, the proposed process for tracking Malibu’s annual payments/credits would work as follows: If the calculation of SMMUSD per ADA revenue is greater than SMUSD per ADA revenue, then MUSD will owe a payment to SMUSD. If, however, SMMUSD per ADA revenue is less than SMUSD per ADA revenue, then MUSD will accrue a credit that can be counted toward a future payment.*
 - *The committee considered whether to also identify a threshold or di minimis calculation amount in the formula. The committee flagged this issue as one to return to within the context of decision-making on the time frame and technical details of the annual calculation.*
- *Additions to Section E, Other mechanics related to calculations and payments*
 - *The committee discussed the mechanics of the calculation and payment (or credit) schedule based on the MUNC’s previous agreements: to annually perform calculations of the delta; to use data contained in the audited financials; and to cumulatively track payments and credits (see recommended edits to Section B above).*
 - *The committee tentatively agreed to the following steps for the timing of the annual calculation and payment (or credit) for the first year of separation.*
 1. *The audited financials for the first fiscal year of separation will be available in December of the second year of separation.*
 2. *The formal calculation of the delta using these audited financials will be performed the following month, that is, January of the next calendar year.*
 3. *If the January calculation shows that MUSD owes SMUSD a payment for the first year of separation, then the payment will be made no later than June 30, the last day of the second fiscal year of separation. Similarly, if the calculation shows that MUSD accrues a credit, then that credit will be booked on June 30, the last day of the second fiscal year of separation.*

- *The decision to use audited financials as the source of data means that there will be no payment (or credit) at the beginning of the first or second fiscal year of separation. The payment (or booking of a credit) at the end of the second year of separation will reconcile the delta for the first fiscal year of separation.*
- *This pattern of reconciling the delta for each fiscal year at the end of the next fiscal year will continue for the length of the payment agreement.*

V. Public Comments

- *Ms. Pam Brady praised the committee members for their focus on keeping the children in both districts whole, and encouraged them to continue their good work.*

VI. Upcoming Meetings

A. Topics for Next Agenda

The committee agreed to begin its September 27 worksession where it left off on September 20. Between now and then (as stated earlier), each team will caucus to consider ideas and options related to the time frame issue.

B. Recap of upcoming committee schedule:

1. *Tuesday, September 27, 2016, 7-9 PM, Malibu City Hall*
2. *Tuesday, October 4, 2016, 1-3 PM, Conference room in Educational Services Department, 1630 17th Street*
3. *No meeting the week of October 9-15, 2016*
4. *October 18, 2016, 7-9 PM, Malibu City Hall*
5. *October 25, 2016, 7-9 PM, SMMUSD District Office*

VII. Adjournment

The committee adjourned the meeting at 8:56 p.m.

MUNC Term Sheets

A “term sheet” is a nonbinding agreement that sets forth the basic terms and conditions under which an agreement is made. It serves as a template for developing a document that provides more details about an eventual agreement.

Attached are the latest versions of the MUNC’s term sheets. The left-hand column of each term lists the issues the MUNC identified as needing to be addressed in an agreement and any basic principles that the Committee agreed to. The right-hand column outlines the most recent terms and conditions the MUNC tentatively has agreed on.

This draft reflects the MUNC’s tentative decisions through its September 13, 2016 meeting.

Topic	Begins on Page
Introduction: General Principles for MUNC’s Agreement on Recommendations to the BOE	1 (See below)
Topic 1, Balance Sheet Allocations	2
Topic 2, Allocation of Bond Debt and Authorization to Issue New Bonds	6
Topic 3, Operating Budget Impacts	7
Topic 4, Environmental Liability	9
Topic 5, Implementation Steps	10

Introduction: General Principles for MUNC’s Agreement on Recommendations to the BOE

The MUNC agrees that all terms and conditions of an agreement:

- 1) Must be financially viable for both SMUSD and MUSD. (Note: financial viability for each school district will need to be further defined.)
- 2) Must ensure a degree of predictability for both SMUSD and MUSD, to enable each school district to be able to plan ahead with a reasonable degree of resource certainty.
- 3) Must avoid establishing potential negative incentives for either SMUSD or MUSD. For example, creating a disincentive to pursue increased revenue or otherwise improve education in their schools.
- 4) Must be clear and understandable, legal, and enforceable.

Note: This list will likely be expanded as the MUNC ‘s work continues.

Term Sheet for Topic 1, Balance Sheet Allocations

The term sheet below outlines the general principles and terms for a nonbinding MUNC agreement on the issues and sub-issues identified for Topic 1, Balance Sheet Allocations.

Principle/Parameter	Terms of Agreement
<p>Issue #1: Allocation method for dividing SMMUSD’s cash assets.</p> <p>The allocation of cash assets will be decided by fund, and will be guided by the portion of revenue contributed from or attributed to what will be SMUSD and MUSD going forward.</p>	<p>For certain funds, this means that the allocation between SMUSD and MUSD will be based on a calculation of the pro rata Average Daily Attendance (ADA).</p> <p>For purposes of the one-time allocation of cash balances, the term “ADA method” refers to a three-year average of the ADA split between what will be SMUSD and MUSD. The three years will be the year that separation occurs and the prior two years. As a point of reference, the Santa Monica/Malibu ADA ratio was 84/16.</p> <p>The exceptions will be for funds where the relative source of revenue (i.e., SMUSD vs. MUSD) has been substantially different from the ADA ratio, or if there is an alternative, more equitable method of allocating a fund balance.</p> <p>The table that begins on the next page summarizes the recommended method of allocation for each fund.</p>

Note: The term sheet for Topic 1 continues on page 5, following Table-1.

Table-1
Summary of Recommended Allocation Method By Fund

Fund	Method for Allocating Cash Balance in Fund	MUNC Comments
A. MAJOR FUNDS		
1. Unrestricted General Fund	ADA method	The ADA method for the Unrestricted General Fund is recommended because: it greatly simplifies the calculation required; and analysis of the revenue sources for 2015-16 shows net contributions from Santa Monica and Malibu that closely mirror the ADA split. A similar analysis should be repeated at the time of separation to ensure this finding still holds.
2. Restricted General Fund	ADA method	The ADA method is recommended for the Restricted General Fund for the same reasons listed above for the Unrestricted General Fund.
3. Building Fund	<i>Revisit during worksession on bonds.</i>	
4. Bond Interest and Redemption Fund	N/A (Not Applicable)	There is no end-of-year cash balance in this fund to allocate.
B. SPECIAL REVENUE FUNDS		
1. Adult Education Fund	Divide the fund balance based on the ratio (calculated as a three-year average) of students enrolled from each district in Adult Ed. The three years will be the year of separation and the prior two years.	The source of revenue for this fund is the State, which pays school districts a set amount per student participating in Adult Education. If MUSD does not offer Adult Education, then MUSD's portion will be transferred to SMUSD.
2. Child Development Fund	Divide the fund balance based on the ratio (calculated as a three-year average) of students enrolled from each district in Child Development program(s). The three years will be the year of separation and the prior two years.	The source of revenue for this fund is the State, which pays school districts a set amount per student participating in Child Development programs. If MUSD does not offer a Child Development program, then MUSD's portion will be transferred to SMUSD.
3. Cafeteria Special Revenue Fund	ADA method	The ADA method is recommended because this fund gets its revenue from students in both Santa Monica and Malibu.

Table-1 continues on the next page.

Fund	Method for Allocating Cash Balance in Fund	MUNC Comments
4. Deferred Maintenance Fund	The fund balance will be divided based on the percent of total floor area square footage in Santa Monica vs. Malibu buildings at the time of separation.	The purpose of this fund is to attend to maintenance needs across all of SMMUSD’s buildings, located in both Santa Monica and Malibu.
C. CAPITAL PROJECT FUNDS		
1. Capital Facilities Fund – developer fees	The fund balance will be divided based on a three-year average of the percent of total dollar amounts contributed by developments located in Santa Monica vs. Malibu. The three years will be the year of separation and the prior two years.	Development contributions by source are tracked annually, so the allocation method recommended should be relatively simple to implement.
2. Special Reserve for Capital Projects Fund – Tax increment from RDA	<i>Because the funds in this Special Reserve fund are treated similarly to SMMUSD bond proceeds, the committee agreed to revisit the allocation method for this fund until the committee’s next discussion of bonds.</i>	
D. RETIREE BENEFIT FUND	<i>The MUNC requested Jan Maez and her team to review the most recent actuarial report and provide a recommendation back to the committee about the most equitable way to divide the Retiree Benefit Fund balance.</i>	The allocation will likely be linked to how the liability for providing retiree health benefits is divided between SMUSD and MUSD at the time of separation.

Term Sheet for Topic 1 (continued from page 2)

Principle/Parameter	Terms of Agreement
<p>Issue #2: Allocation method for dividing SMMUSD’s land and buildings</p> <p>The committee agreed to consider the allocation of SMMUSD’s land and buildings in three categories:</p> <ol style="list-style-type: none"> 1) Schools; 2) Land/buildings used for SMMUSD activities that serve both Malibu and Santa Monica; and 3) Land/buildings that are a source of revenue for SMMUSD 	<p>Category 1: Schools</p> <ul style="list-style-type: none"> • With the possible exception of Olympic High School (see second bullet), schools will be allocated to the respective district where they are located. • Olympic High School (located in Santa Monica) may need to be in a separate category because it is SMMUSD’s only alternative high school and currently serves eligible students from both Malibu and Santa Monica. <p>Category 2: Land/buildings used for SMMUSD activities that serve both Malibu and Santa Monica.</p> <ul style="list-style-type: none"> • This category includes two buildings located in Santa Monica (District Headquarters and Washington West). • The committee considered several allocation options and underlying principles for allocating the land/buildings in this category, but has not yet reached any decisions. <p>Note: While bus yards might also fit into this category, the current set-up excludes them. Specifically: the bus yard in Malibu is on the campus of Malibu High School and the buses parked there only serve Malibu students; and the bus yard in Santa Monica serves students in both Santa Monica and Malibu, but is located on leased space, so is a liability and not an asset.</p> <p>Category 3: Land/buildings that are a source of revenue for SMMUSD.</p> <p>The Committee wants some additional information about SMMUSD’s revenue-producing assets before proceeding with additional discussion of this category. The Committee recognized that the allocation options and principles considered for Category 2 assets (above) may influence the decisions for allocating Category 3 assets.</p> <p>Table continues on next page.</p>

Principle/Parameter	Terms of Agreement
<p>Issue #3: Allocation method for balance sheet liabilities (other than bond debt and environmental liability):</p> <p>a. Certificates of Participation</p> <p>b. Compensated absences</p> <p>c. OPEB</p>	<p>a. 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’ building. SMMUSD’s plan is to cover the remaining debt associated with the COPs by RDA funds. As a result, at the time of separation, there will be no outstanding cash liability on the COPs to allocate between SMUSD and MUSD.</p> <p>b. Compensated absences The liability associated with compensated absences will “move” with the individual teacher or other staff member who has accrued this unused leave. In other words, post-separation, SMUSD will inherit the liability for personnel who are SMUSD employees, and MUSD will inherit the liability for personnel who are MUSD employees.</p> <p>c. OPEB (Other Postemployment Benefits) OPEB is a Government Accounting Standards Board (GASB) term that refers to the outstanding liability for paying benefits (other than pensions) to retired public sector employees.</p> <p>The Committee agreed to wait for Jan Maez’ recommendation regarding allocation of the balance in the Retiree Benefits Fund before further discussion of OPEB.</p>
<p>Issue #4: Any other financial items related to balance sheet allocations or off balance sheet items?</p>	<p><i>The committee agreed to return to this issue after reviewing whether previous reports and other background materials had identified any items in this category.</i></p>
<p>Issue #5: Procedures (if any) for revisiting agreements reached on balance sheet allocations.</p>	<p>Given that Balance Sheet Allocations are expected to be a one-time division between SMUSD and MUSD at the time of separation, there will unlikely be any need to revisit the agreements made for Topic 1 items.</p>

Term Sheet for Topic 2, Allocation of Bond Debt and Authorization to Issue New Bonds

The term sheet below outlines the general principles and terms for a nonbinding MUNC agreement on the issues and sub-issues identified for Topic 2, Allocation of Bond Debt and Authorization to Issue New Bonds

Principle/Parameter	Terms of Agreement
<p>Issue #1: Method of allocating SMMUSD's issued bond debt.</p> <p>Issue #2: Method of allocating authority to issue future bonds that have been authorized but not yet issued.</p> <p>Issue #3: Mechanism for refinancing of SMMUSD's outstanding bonds</p> <p>Issue #4: Any additional financial items related to bonds that need to be addressed.</p> <p>Issue #5: Procedures (if any) for revisiting agreements reached on bond-related issues.</p>	<p><i>See Procopio's July 21, 2016 memorandum for alternatives presented by John Lemmo and discussed by the Committee.</i></p>

<p>B. Defining in greater detail what “revenue neutrality” means to include:</p> <ul style="list-style-type: none"> • The size of the “delta” that requires payment. • Whether the delta is calculated on an annual or cumulative basis. 	<p>When evaluating options for achieving “revenue neutrality,” the Committee agreed to consider both the impact on revenue per student and the impact on each district’s total budget.</p>
<p>C. Time frame for how long a formula for revenue neutrality remains in place. A time frame can be established either:</p> <ul style="list-style-type: none"> • According to the calendar; and/or • According to some event. 	
<p>D. Source(s) of data to use when making calculations</p> <ul style="list-style-type: none"> • Unaudited actuals • Audited financials • Other 	<p>Final calculations in any agreed-upon formulas should use data from the audited financial statements for SMUSD and MUSD.</p> <p>However, recognizing the realities of a school district’s budgeting process and flow of revenue (in and out) during the year, there may be interims calculations performed that use the best available data at the time, even if that data are not yet audited. (See agreements under E.)</p>
<p>E. Other mechanics related to calculations/payments</p> <ul style="list-style-type: none"> • When in the calendar year the calculation is performed • Payment schedule • Timing of any reconciliation 	
<p>F. Criteria and purpose for reopening any of the agreed-upon formulas and/or other terms of payment</p>	
<p>G. Terms that ensure both the enforceability and legality of agreements</p>	
<p>H. Steps involved in implementation, e.g., MOU, special legislation</p>	<p>The MUNC’s agreements on this item will feed into terms for Topic 5, Implementation Steps.</p>

Term Sheet for Topic 4, Environmental Liability

The term sheet below outlines the general principles and terms for a nonbinding MUNC agreement on how to implement the Board’s objective, as stated in the BOE’s December 17, 2015 action, 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.”

Principle/Parameter	Terms of Agreement
<p>A. Liability for environmental contamination in Malibu schools.</p> <p><u>Category (1)</u>: Contamination that is not known about at the time of separation.</p> <p><u>Category (2)</u>: Contamination that is known about before separation and for which SMMUSD has developed, approved, funded, and begun a remediation plan.</p> <p><u>Category (3)</u>: Contamination that is known about before separation but for which SMMUSD has not yet developed, approved, or funded a remediation plan.</p>	<p>The MUNC agreed to terms for three categories of liability, differentiated by whether the contamination in a Malibu school is unknown or known at the time of separation, and if known, how far along the remediation process is.</p> <p><u>Category (1)</u>: In sum, for environmental liability not known about at the time of separation, each district is on its own.</p> <p>Specifically, any source of environmental liability discovered post-separation will be the responsibility of the school district that owns the property where the liability exists. This includes responsibility for the cost of remediation as well any personal liability that arises related to this contamination. Further, each district will indemnify the other district against any environmental liability discovered post-separation.</p> <p><u>Category (2)</u>: The current ongoing remediation of PCBs, as contemplated in SMMUSD’s development plan will not be affected by separation and will continue to be funded after separation by the bond program. Any remediation project that is underway at the time of separation will be subject to further negotiation (by the “Transition Team”) at the time of separation to work out the logistics of completion.</p> <p><u>Category (3)</u>: For this category of “known but not yet addressed at time of separation” contamination, each district will be liable for its own properties and in charge of developing, approving, funding, and implementing a remediation plan. For schools in Malibu, the portion of ES bonds allocated to Malibu are a potential source of funding for this remediation work.</p> <p><i>Note: The MUNC expressed an interest in obtaining the latest estimates about the costs of remediation for the known but not yet addressed environmental contamination in Malibu schools.</i></p>

B. Issues of liability for pending claims against SMMUSD that are specific to the Malibu school sites in the lawsuit brought by America Unites against SMMUSD.	On September 1, 2016, Judge Anderson issued his ruling on the America Unites’ lawsuit. The Committee agreed that Judge Anderson’s ruling is clear. Judge Anderson’s ruling may remove this environmental liability issue from the Board’s assignment to the MUNC.
C. Other?	

Term Sheet for Topic 5, Implementation Steps

The term sheet below outlines the general principles and terms for a nonbinding MUNC agreement on what to recommend to the Board regarding implementation of the MUNC’s agreements on Topics 1 through 4.

Principle/Parameter	Terms of Agreement
<p>A. The MUNC’s final report will address next steps for the Board to take towards implementation of the agreements reached by the MUNC on Topics 1 through 4.</p> <p>B. The appointment and role of a “Transition Team.”</p>	<p>A. The MUNC’s report will address the next steps for the Board to take towards implementation by explaining the different options (e.g., petition to LACOE, special state legislation), but will not include the details of a “political” strategy because the MUNC believes that is beyond its charge.</p> <p>B. The MUNC will recommend that the Board appoint a “Transition Team” to take care of the things that will need to happen between the time the Board approves a separation “package” and the actual separation occurs.</p> <p>Note: As the MUNC addresses each of the topics in the work plan, the “to do” list for the Transition Team will become more apparent. Candidate tasks for the Transition Team mentioned already are:</p> <ul style="list-style-type: none"> • Drafting special state legislation; • Negotiating final arrangements for completing remediation projects in Malibu schools that are underway at the time of separation.

BB REPORTS AS OF 08/31/2016

(A) Project Name	(B) Projects Allocation BB	(C) Funded From BB Bond Interest & Other Revenue	(D) Funded From Other Source	(E) Measure BB Shortfalls	(F) Total Funding	(G-1) Encumbrances	(G-2) Payments	(G) Expended/Committed	(H) Forecasted Expenses	I=(G+H) Enc./Exp. + Forecast	J=(F-I) Allocation Balance	(K) Reallocation of Budget	L=(J+K) BB Shortfalls
BB OFFICE CENTRAL													
Centralized Expenses	\$0			\$2,235,902	\$2,235,902	\$2,084,953	\$35,406	\$2,120,359	\$1,998,301	\$4,118,660	(\$1,882,758)	\$30,953.00	(\$1,851,805.00)
Debt Services		\$1,597,244			\$1,597,244		\$1,597,244	\$1,597,244		\$1,597,244	\$0		\$0.00
Subtotal - Centralized Location	\$0	\$1,597,244	\$0	\$2,235,902	\$3,833,146	\$2,084,953	\$1,632,650	\$3,717,603	\$1,998,301	\$5,715,904	(\$1,882,758)	\$30,953	(\$1,851,805)
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
Subtotal - Cabrillo Elem Sch	\$562,410	\$0	\$0	\$0	\$562,410	\$1,638	\$556,604	\$558,242	\$0	\$558,242	\$4,168	(\$4,168)	\$0
BB TECHNOLOGY													
Data Center - BB Project	\$75,197				\$75,197	\$0	\$75,197	\$75,197	\$0	\$75,197	\$0		\$0.00
Cabrillo Technology	\$255,267				\$255,267	\$0	\$255,267	\$255,267	\$0	\$255,267	\$0		\$0.00
Data Center Districtwide Technology	\$0	\$4,421,113			\$4,421,113		\$4,421,113	\$4,421,113		\$4,421,113	\$0		\$0
Data Center - IT Expansion	\$0	\$1,129,175		\$1,818,151	\$2,947,326	\$1,330,230	\$1,564,422	\$2,894,652	\$1,461,710	\$4,356,362	(\$1,409,036)		(\$1,409,036)
Edison Technology Project	\$156,293				\$156,293	\$0	\$156,293	\$156,293		\$156,293	\$0		\$0.00
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	\$1,024,690			\$1,024,690	\$0	\$1,024,690	\$1,024,690	\$0	\$1,024,690	\$0		\$0.00
Lincoln Technology	\$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	\$0	\$757,818	\$0	\$4,168	\$4,168.00
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	\$0	\$208,196	\$0		\$0.00
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	\$1,357,565	\$129,054			\$1,486,619	\$0	\$1,486,619	\$1,486,619		\$1,486,619	\$0		\$0.00

BB REPORTS AS OF 08/31/2016

(A) Project Name	(B) Projects Allocation BB	(C) Funded From BB Bond Interest & Other Revenue	(D) Funded From Other Source	(E) Measure BB Shortfalls	(F) Total Funding	(G-1) Encumbrances	(G-2) Payments	(G) Expended/Committed	(H) Forecasted Expenses	I=(G+H) Enc./Exp. + Forecast	J=(F-I) Allocation Balance	(K) Reallocation of Budget	L=(J+K) BB Shortfalls
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
Subtotal - BB Technology	\$6,216,446	\$6,704,032	\$0	\$1,818,151	\$14,738,629	\$1,330,230	\$13,355,725	\$14,685,955	\$1,461,710	\$16,147,665	(\$1,409,036)	\$4,168	(\$1,404,868)
DSA Compliance (Close Out)													
Business Center - DSA Compliance	\$197,064				\$197,064	\$0	\$0	\$0	\$197,064	\$197,064	\$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	\$976,710				\$976,710	\$0	\$976,710	\$976,710	\$0	\$976,710	\$0		\$0.00
Franklin - DSA Compliance	\$42,332				\$42,332	\$0	\$42,332	\$42,332	\$0	\$42,332	\$0		\$0.00
Grant - DSA Compliance	\$37,941				\$37,941	\$0	\$37,941	\$37,941	\$0	\$37,941	\$0		\$0.00
JAMS - DSA Compliance	\$131,402				\$131,402	\$15,712	\$115,690	\$131,402	\$0	\$131,402	\$0		\$0.00
Lincoln - DSA Compliance	\$155,321				\$155,321	\$11,714	\$143,607	\$155,321	\$0	\$155,321	\$0		\$0.00
McKinley - DSA Compliance	\$21,252				\$21,252	\$0	\$21,252	\$21,252	\$0	\$21,252	\$0		\$0.00
MMHS: DSA Compliance	\$167,703				\$167,703		\$167,703	\$167,703	\$0	\$167,703	\$0		\$0.00
Olympic - DSA Compliance	\$44,239				\$44,239	\$0	\$44,239	\$44,239	\$0	\$44,239	\$0		\$0.00
Point Dume - DSA Compliance	\$5,942				\$5,942	\$0	\$5,942	\$5,942	\$0	\$5,942	\$0		\$0.00
Rogers - DSA Compliance	\$40,710				\$40,710	\$0	\$40,710	\$40,710	\$0	\$40,710	\$0		\$0.00
Roosevelt - DSA Compliance	\$13,634				\$13,634	\$0	\$13,634	\$13,634	\$0	\$13,634	\$0		\$0.00
Samohi - DSA Compliance	\$372,074				\$372,074	\$0	\$372,074	\$372,074	\$0	\$372,074	\$0		\$0.00
SMASH/Muir - DSA Compliance	\$20,448				\$20,448	\$0	\$20,448	\$20,448	\$0	\$20,448	\$0		\$0.00
Technology - - DSA Compliance	\$34,036				\$34,036	\$0	\$34,036	\$34,036	\$0	\$34,036	\$0		\$0.00
Washington - DSA Compliance	\$36,634				\$36,634	\$0	\$36,634	\$36,634	\$0	\$36,634	\$0		\$0.00
Webster - DSA Compliance	\$19,862				\$19,862	\$0	\$19,862	\$19,862	\$0	\$19,862	\$0		\$0.00
Subtotal - DSA Compliance	\$2,387,360	\$0	\$0	\$0	\$2,387,360	\$27,426	\$2,162,870	\$2,190,296	\$197,064	\$2,387,360	\$0	\$0	\$0

BB REPORTS AS OF 08/31/2016

(A) Project Name	(B) Projects Allocation BB	(C) Funded From BB Bond Interest & Other Revenue	(D) Funded From Other Source	(E) Measure BB Shortfalls	(F) Total Funding	(G-1) Encumbrances	(G-2) Payments	(G) Expended/Committed	(H) Forecasted Expenses	I=(G+H) Enc./Exp. + Forecast	J=(F-I) Allocation Balance	(K) Reallocation of Budget	L=(J+K) BB Shortfalls
EDISON ELEMENTARY SCHOOL													
ELA: New Construction Project	\$51,289,806	\$126,595	\$3,500,000	\$2,823,534	\$57,739,935	\$393,387	\$57,346,541	\$57,739,928	\$3,867,018	\$61,606,946	(\$3,867,011)		(\$3,867,011)
ELA: Relocatables	\$8,248				\$8,248	\$0	\$8,248	\$8,248		\$8,248	\$0		\$0.00
ELA: Temporary Pre-School at Rogers	\$9,430				\$9,430	\$0	\$9,430	\$9,430	\$0	\$9,430	\$0		\$0.00
ELA: Land Acquisition	\$3,540,041				\$3,540,041	\$0	\$3,540,041	\$3,540,041	\$0	\$3,540,041	\$0		\$0.00
Subtotal - Edison Elem School	\$54,847,525	\$126,595	\$3,500,000	\$2,823,534	\$61,297,654	\$393,387	\$60,904,260	\$61,297,647	\$3,867,018	\$65,164,665	(\$3,867,011)	\$0	(\$3,867,011)
Franklin Elementary SCHOOL													
Franklin Elementary (K-5)	\$207,902				\$207,902	\$0	\$207,902	\$207,902	\$0	\$207,902	\$0		\$0.00
Subtotal - Franklin Elem School	\$207,902	\$0	\$0	\$0	\$207,902	\$0	\$207,902	\$207,902	\$0	\$207,902	\$0	\$0	\$0
Grant ELEMENTARY SCHOOL													
Grant ES: Main Entry Reconfiguration Project	\$551,722				\$551,722	\$0	\$548,302	\$548,302	\$3,420	\$551,722	\$0		\$0.00
Subtotal - Grant Elem School	\$551,722	\$0	\$0	\$0	\$551,722	\$0	\$548,302	\$548,302	\$3,420	\$551,722	\$0	\$0	\$0
JOHN ADAMS MIDDLE SCHOOL													
Jams Field Warranty & Defects	\$305,433	\$43,642			\$349,075	\$0	\$349,076	\$349,076	\$415,865	\$764,941	(\$415,866)	\$415,866.00	\$0.00
JAMS New Construction & Mod (PkgA)	\$21,160,252	\$283,643	\$2,241,969	\$2,316,125	\$26,001,989	\$148,023	\$25,823,333	\$25,971,356	\$30,633	\$26,001,989	\$0		\$0.00
JAMS Parking Lot	\$804,654				\$804,654	\$0	\$804,654	\$804,654	\$0	\$804,654	\$0		\$0.00
JAMS Relocatables (PkgB) - Over the counter	\$743,195				\$743,195	\$0	\$743,195	\$743,195	\$0	\$743,195	\$0		\$0.00
JAMS Site Improvements at Perimeter of Athletic Fields (Green Fringe)	\$638,509				\$638,509	\$0	\$638,509	\$638,509	\$0	\$638,509	\$0		\$0.00
Subtotal - John Adams Middle School	\$23,652,043	\$327,285	\$2,241,969	\$2,316,125	\$28,537,422	\$148,023	\$28,358,767	\$28,506,790	\$446,498	\$28,953,288	(\$415,866)	\$415,866	\$0
LINCOLN MIDDLE SCHOOL													
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	\$768,516	\$768,516	\$1,000	\$769,516	\$0		\$0.00
LMS: Replacement of Clrm Building C & Site Improvement (Pkg 2)	\$28,390,725			\$83,030	\$28,473,755	\$26,974	\$28,361,276	\$28,388,250	\$85,505	\$28,473,755	\$0		\$0.00

BB REPORTS AS OF 08/31/2016

(A) Project Name	(B) Projects Allocation BB	(C) Funded From BB Bond Interest & Other Revenue	(D) Funded From Other Source	(E) Measure BB Shortfalls	(F) Total Funding	(G-1) Encumbrances	(G-2) Payments	(G) Expended/Committed	(H) Forecasted Expenses	I=(G+H) Enc./Exp. + Forecast	J=(F-I) Allocation Balance	(K) Reallocation of Budget	L=(J+K) BB Shortfalls
Subtotal - Lincoln Middle School	\$32,317,682	\$0	\$0	\$83,030	\$32,400,712	\$44,722	\$32,269,485	\$32,314,207	\$86,505	\$32,400,712	\$0	\$0	\$0
MALIBU HIGH SCHOOL													
MMHS: New Bldg (Library, Admin & Classrooms): Modernization	\$40,703,631			\$362,943	\$41,066,574	\$5,753,380	\$13,541,884	\$19,295,264	\$32,408,367	\$51,703,631	(\$10,637,057)		(\$10,637,057.00)
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
Subtotal - Malibu High School	\$49,344,259	\$0	\$0	\$362,943	\$49,707,202	\$6,158,746	\$16,537,747	\$22,696,493	\$37,647,766	\$60,344,259	(\$10,637,057)	\$0	(\$10,637,057)
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
Subtotal - Mckinley Elem School	\$1,390,081	\$0	\$0	\$0	\$1,390,081	\$0	\$1,371,983	\$1,371,983	\$0	\$1,371,983	\$18,098	(\$18,098)	\$0
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	\$105,362				\$105,362	\$0	\$105,362	\$105,362	\$0	\$105,362	\$0		\$0.00
Olympic HS: Modernization	\$8,326,898			\$1,781,052	\$10,107,950	\$6,650,400	\$2,708,211	\$9,358,611	\$2,168,664	\$11,527,275	(\$1,419,325)		(\$1,419,325.00)
Subtotal - Olympic High School	\$8,483,980	\$0	\$0	\$1,781,052	\$10,265,032	\$6,650,400	\$2,865,293	\$9,515,693	\$2,168,664	\$11,684,357	(\$1,419,325)	\$0	(\$1,419,325)
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
Subtotal - Pt.Dume Elem School	\$1,163,811	\$0	\$0	\$0	\$1,163,811	\$46,424	\$1,117,387	\$1,163,811	\$0	\$1,163,811	\$0	\$0	\$0

BB REPORTS AS OF 08/31/2016

(A) Project Name	(B) Projects Allocation BB	(C) Funded From BB Bond Interest & Other Revenue	(D) Funded From Other Source	(E) Measure BB Shortfalls	(F) Total Funding	(G-1) Encumbrances	(G-2) Payments	(G) Expended/Committed	(H) Forecasted Expenses	I=(G+H) Enc./Exp. + Forecast	J=(F-I) Allocation Balance	(K) Reallocation of Budget	L=(J+K) BB Shortfalls
Roosevelt Elementary SCHOOL													
Roosevelt Elementary Redesign	\$352,097				\$352,097	\$0	\$352,097	\$352,097	\$0	\$352,097	\$0		\$0.00
Subtotal - Roosevelt Elem School	\$352,097	\$0	\$0	\$0	\$352,097	\$0	\$352,097	\$352,097	\$0	\$352,097	\$0	\$0	\$0
SANTA MONICA HIGH SCHOOL													
Samohi: Science & Technology Bldg & Site Improvements Project	\$80,519,494		\$4,258,031	\$6,771,452	\$91,548,977	\$401,480	\$89,848,292	\$90,249,772	\$8,027,753	\$98,277,525	(\$6,728,548)		(\$6,728,548.00)
Subtotal - Santa Monica High School	\$80,519,494	\$0	\$4,258,031	\$6,771,452	\$91,548,977	\$401,480	\$89,848,292	\$90,249,772	\$8,027,753	\$98,277,525	(\$6,728,548)	\$0	(\$6,728,548.00)
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
Subtotal - SMASH/Muir Elem School	\$218,651	\$0	\$0	\$0	\$218,651	\$0	\$214,651	\$214,651	\$0	\$214,651	\$4,000	(\$4,000)	\$0
WASHINGTON WEST & SOUTH													
Washington West Child Development	\$1,948,149				\$1,948,149	\$6,335	\$1,790,058	\$1,796,393	\$151,756	\$1,948,149	\$0		\$0.00
Washington South Facilities Building	\$449,074				\$449,074	\$0	\$449,074	\$449,074	\$0	\$449,074	\$0		\$0.00
Subtotal - Washington West & South	\$2,397,223	\$0	\$0	\$0	\$2,397,223	\$6,335	\$2,239,132	\$2,245,467	\$151,756	\$2,397,223	\$0	\$0	\$0
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
Webster Wastewater Treatment	\$580,000				\$580,000	\$0	\$0	\$0	\$580,000	\$580,000	\$0		\$0.00
Webster: Drop-off and Parking Lot Reconfiguration Project	\$1,477,940			\$5,639	\$1,483,579	\$131,784	\$825,993	\$957,777	\$525,802	\$1,483,579	\$0		\$0.00
Subtotal - Webster Elem School	\$2,561,928	\$0	\$0	\$5,639	\$2,567,567	\$168,422	\$1,293,343	\$1,461,765	\$1,105,802	\$2,567,567	\$0	\$0	\$0
WILL ROGERS ELEMENTARY SCH													
Will Rogers:Entry and Main Office Reconfiguration Project	\$406,363				\$406,363	\$0	\$397,508	\$397,508	\$0	\$397,508	\$8,855	(\$8,855)	\$0.00
Subtotal - Will Rogers Elem School	\$406,363	\$0	\$0	\$0	\$406,363	\$0	\$397,508	\$397,508	\$0	\$397,508	\$8,855	(\$8,855)	\$0

BB REPORTS AS OF 08/31/2016

(A) Project Name	(B) Projects Allocation BB	(C) Funded From BB Bond Interest & Other Revenue	(D) Funded From Other Source	(E) Measure BB Shortfalls	(F) Total Funding	(G-1) Encumbrances	(G-2) Payments	(G) Expended/Committed	(H) Forecasted Expenses	I=(G+H) Enc./Exp. + Forecast	J=(F-I) Allocation Balance	(K) Reallocation of Budget	L=(J+K) BB Shortfalls
Program Reserves	\$419,023.00	\$2,565,766			\$2,984,789.48					\$0.00	\$2,984,789.48	(\$415,866.00)	\$2,568,923.48
All Projects Grand Total	\$268,000,000	\$11,320,922	\$10,000,000	\$18,197,828	\$307,518,750	\$17,462,186	\$256,233,998	\$273,696,184	\$57,162,257	\$330,858,441	(\$23,339,691)	\$0	(\$23,339,691)

ES REPORT AS OF 08/31/2016

(A) Project Name	(B) Projects Allocation ES	(C) ES Bond Interest & Other Income	D=(B+C) Total Funding	Measure BB Shortfalls Expended	Measure BB Projected Shortfalls	(E-1) Encumbrances	(E-2) Payments	(E) Expended/Committed & BB Shortfalls Expended & Projected	(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			\$72,094	\$3,894,433	\$3,966,527	\$0	\$3,966,527	\$466,028
Infrastructure	\$10,792,103		\$10,792,103			\$229,205	\$8,010,349	\$8,239,554	\$39,050	\$8,278,604	\$2,513,499
21st Century Classrooms	\$10,953,440		\$10,953,440			\$1,593,493	\$6,155,466	\$7,748,959	\$9,148	\$7,758,107	\$3,195,333
Library	\$2,139,738		\$2,139,738			\$599	\$98,140	\$98,739	\$4,697	\$103,436	\$2,036,302
Computer Lab Upgrades	\$2,511,600		\$2,511,600			\$0	\$1,050,093	\$1,050,093	\$7,815	\$1,057,908	\$1,453,692
Leadership & Capacity-Building	\$3,601,922		\$3,601,922			\$20,083	\$294,231	\$314,314	\$0	\$314,314	\$3,287,608
ES TECHNOLOGY BUDGET AVAILABLE	\$0	\$0	\$34,431,358	\$0	\$0	\$1,915,474	\$19,502,712	\$21,418,186	\$60,710	\$21,478,896	\$12,952,462
ES - MALIBU ALLOCATION	\$77,000,000										
Malibu Interior Light Fixtures	\$2,200,000		\$2,200,000			\$235,300	\$1,830,704	\$2,066,004		\$2,066,004	\$133,996
Malibu Environmental Caulk Removal	\$1,700,000		\$1,700,000				\$1,624,136	\$1,624,136		\$1,624,136	\$75,864
Cabrillo - Window, Floor, Paint & Door Project - Abatement Building F	\$2,000,000		\$2,000,000			\$705,861	\$1,002,636	\$1,708,497	\$354,812	\$2,063,309	(\$63,309)
Webster - Window, Floor, Paint & Door Project	\$4,000,000		\$4,000,000					\$0	\$192,235	\$192,235	\$3,807,765
Pt.Dume - Window, Floor, Paint & Door Project	\$2,000,000		\$2,000,000					\$0		\$0	\$2,000,000
Malibu HS - Building F, I, G - Window, Floor & Door Project	\$2,000,000		\$2,000,000					\$0		\$0	\$2,000,000
Malibu HS - Building J & H - Window, Floor & Door Project	\$1,500,000		\$1,500,000					\$0	\$286,749	\$286,749	\$1,213,251
Malibu HS - Building D - Window, Floor & Door Project	\$1,500,000		\$1,500,000					\$0		\$0	\$1,500,000
Malibu HS - Building K - Window, Floor & Door Project	\$500,000		\$500,000					\$0		\$0	\$500,000
Cabrillo - Roller Shades	\$0		\$0			\$36,820		\$36,820		\$36,820	(\$36,820)
Cabrillo - New Preschool Building - 3 Classroom (Portables Replacement)	\$3,000,000		\$3,000,000					\$0		\$0	\$3,000,000
Webster - New Preschool Building - 3 Classroom (Portables Replacement)	\$3,000,000		\$3,000,000					\$0		\$0	\$3,000,000
Malibu HS - HVAC & Electrical	\$3,600,000		\$3,600,000				\$43,747	\$43,747		\$43,747	\$3,556,253
Cabrillo - HVAC & Electrical	\$1,400,000		\$1,400,000					\$0		\$0	\$1,400,000
Pt.Dume - HVAC & Electrical	\$1,300,000		\$1,300,000					\$0		\$0	\$1,300,000
Webster - HVAC & Electrical	\$1,600,000		\$1,600,000					\$0		\$0	\$1,600,000
Solar Project - Alternative Energy	\$4,000,000		\$4,000,000					\$0		\$0	\$4,000,000
Other Malibu Project - MMHS Theater Upgrades, MMHS Unidentified Project, Elementary Unidentified Project	\$19,000,000		\$19,000,000					\$0		\$0	\$19,000,000
Malibu - Centralized Expense & Contingency	\$11,700,000		\$11,700,000				\$236,963	\$236,963		\$236,963	\$11,463,037
Malibu Shortfalls BB	\$11,000,000		\$11,000,000	\$368,582	\$10,637,057		\$0	\$11,005,639	\$374,490	\$11,380,129	(\$380,129)
ES - MALIBU ALLOCATION BUDGET AVAILABLE	\$0	\$0	\$77,000,000	\$368,582	\$10,637,057	\$977,981	\$4,738,186	\$16,721,806	\$1,208,286	\$17,930,092	\$59,069,908

ES REPORT AS OF 08/31/2016

(A) Project Name	(B) Projects Allocation ES	(C) ES Bond Interest & Other Income	D=(B+C) Total Funding	Measure BB Shortfalls Expended	Measure BB Projected Shortfalls	(E-1) Encumbrances	(E-2) Payments	(E) Expended/Committed & BB Shortfalls Expended & Projected	(F) Forecasted Expenses	G=(E+F) Enc./Exp. + Forecast	H=(E-G) Allocation Balance
ES - SAMOHI ALLOCATION	\$180,000,000										
SAMOHI Campus Plan	\$2,000,000		\$2,000,000			\$257,266	\$768,016	\$1,025,282	\$277,925	\$1,303,207	\$696,793
SAMOHI - HVAC & Electrical	\$4,000,000		\$4,000,000			\$4,427	\$39,320	\$43,747	\$0	\$43,747	\$3,956,253
SAMOHI Construction - Interim Repair/Upgrades Projects (Band-Aids)	\$2,500,000		\$2,500,000				\$0	\$0	\$0	\$0	\$2,500,000
SAMOHI Construction - Interim Softball Field	\$1,500,000		\$1,500,000					\$0	\$0	\$0	\$1,500,000
SAMOHI Construction - Barnum Hall Repairs & Upgrades	\$1,000,000		\$1,000,000				\$0	\$0	\$0	\$0	\$1,000,000
SAMOHI - Phase 1 - Pool & Classroom Building	\$79,400,000		\$79,400,000				\$0	\$0	\$0	\$0	\$79,400,000
SAMOHI - Phase 2 - Parking/Dist & Classroom Building	\$61,600,000		\$61,600,000				\$0	\$0	\$0	\$0	\$61,600,000
SAMOHI - Phase 3 Design	\$4,000,000		\$4,000,000					\$0		\$0	\$4,000,000
SAMOHI Solar Project / Alternative Energy	\$3,000,000		\$3,000,000			\$0	\$0	\$0	\$0	\$0	\$3,000,000
SAMOHI - Stairs & Ramp Near 7th and Michigan	\$0		\$0			\$17,667	\$17,305	\$34,972		\$34,972	(\$34,972)
SAMOHI - Centralized Expense & Contingency	\$26,000,000		\$26,000,000			\$0	\$587,426	\$587,426	\$0	\$587,426	\$25,412,574
SAMOHI Shortfalls BB	\$13,500,000		\$13,500,000	\$6,771,452	\$6,728,548	\$0		\$13,500,000	\$0	\$13,500,000	\$0
SAMOHI - Phase 2 - Parking/Dist & Classroom Building Shortfall	(\$18,500,000)		(\$18,500,000)					\$0		\$0	(\$18,500,000)
ES - SAMOHI ALLOCATION BUDGET AVAILIABLE	\$0	\$0	\$180,000,000	\$6,771,452	\$6,728,548	\$279,360	\$1,412,067	\$15,191,427	\$277,925	\$15,469,352	\$164,530,648
ES - SANTA MONICA UNALLOCATED	\$93,568,642										
Franklin - Window, Floor, Paint & Door Project	\$2,500,000		\$2,500,000					\$0		\$0	\$2,500,000
Grant - Window, Floor, Paint & Door Project	\$2,500,000		\$2,500,000			\$601,870	\$679,673	\$1,281,543	\$234,450	\$1,515,993	\$984,007
Mckinley - Window, Floor, Paint & Door Project	\$3,000,000		\$3,000,000					\$0		\$0	\$3,000,000
Olympic - Window, Floor, Paint & Door Project	\$2,000,000		\$2,000,000					\$0		\$0	\$2,000,000
Will Rogers - Window, Floor, Paint & Door Project	\$4,000,000		\$4,000,000			\$588,562	\$657,760	\$1,246,322	\$225,759	\$1,472,081	\$2,527,919
Roosevelt - Window, Floor, Paint & Door Project	\$2,500,000		\$2,500,000					\$0	\$181,400	\$181,400	\$2,318,600
Muir / SMASH - Window, Floor, Paint & Door Project	\$1,000,000		\$1,000,000					\$0		\$0	\$1,000,000
Washington - Window, Floor, Paint & Door Project	\$500,000		\$500,000					\$0		\$0	\$500,000
Grant - Roller Shade Project	\$0		\$0			\$34,195		\$34,195		\$34,195	(\$34,195)
Will Rogers - Roller Shade Project	\$0		\$0			\$36,525		\$36,525		\$36,525	(\$36,525)
Rogers - HVAC & Electrical	\$2,000,000		\$2,000,000					\$0		\$0	\$2,000,000
Grant - HVAC & Electrical	\$1,700,000		\$1,700,000					\$0		\$0	\$1,700,000
Muir/SMASH - HVAC & Electrical	\$1,500,000		\$1,500,000					\$0		\$0	\$1,500,000
Washington - HVAC & Electrical	\$500,000		\$500,000					\$0		\$0	\$500,000

ES REPORT AS OF 08/31/2016

(A) Project Name	(B) Projects Allocation ES	(C) ES Bond Interest & Other Income	D=(B+C) Total Funding	Measure BB Shortfalls Expended	Measure BB Projected Shortfalls	(E-1) Encumbrances	(E-2) Payments	(E) Expended/Committed & BB Shortfalls Expended & Projected	(F) Forecasted Expenses	G=(E+F) Enc./Exp. + Forecast	H=(E-G) Allocation Balance
McKinley - HVAC & Electrical	\$1,800,000		\$1,800,000					\$0		\$0	\$1,800,000
Roosevelt - HVAC & Electrical	\$2,300,000		\$2,300,000					\$0		\$0	\$2,300,000
Franklin - HVAC & Electrical	\$1,800,000		\$1,800,000					\$0		\$0	\$1,800,000
Olympic - HVAC & Electrical	\$1,000,000		\$1,000,000					\$0		\$0	\$1,000,000
Lincoln - HVAC & Electrical	\$4,000,000		\$4,000,000					\$0		\$0	\$4,000,000
JAMS - HVAC & Electrical	\$4,500,000		\$4,500,000				\$131,558	\$131,558	\$0	\$131,558	\$4,368,442
JAMS Auditorium	\$11,500,000		\$11,500,000			\$109,812	\$0	\$109,812	\$0	\$109,812	\$11,390,188
Lincoln Auditorium Seat Replacement	\$500,000		\$500,000					\$0		\$0	\$500,000
JAMS - Replace Synthetic Turf	\$1,500,000		\$1,500,000					\$0		\$0	\$1,500,000
Lincoln Athletic Track & Field	\$3,000,000		\$3,000,000			\$59,005	\$10,153	\$69,158	\$198,781	\$267,939	\$2,732,061
JAMS - Gym Floor Replacement	\$200,000		\$200,000					\$0		\$0	\$200,000
Santa Monica - Other Solar Project / Alternative Energy	\$5,000,000		\$5,000,000					\$0		\$0	\$5,000,000
Santa Monica - Others Centralized Cost & Contingency	\$14,356,864		\$14,356,864			\$125,165	\$370,710	\$495,875	\$53,524	\$549,399	\$13,807,465
Santa Monica BB Shortfalls	\$18,000,000		\$18,000,000	\$11,057,794	\$5,974,086		\$0	\$17,031,880		\$17,031,880	\$968,120
ES - SANTA MONICA UNALLOCATED BUDGET AVAILABLE	\$411,778	\$0	\$93,568,642	\$11,057,794	\$5,974,086	\$1,555,134	\$1,849,854	\$20,436,868	\$893,914	\$21,330,782	\$72,237,860
ES Bond Expense & Interest											
Bond Premium Received		\$300,000	\$300,000					\$0		\$0	\$300,000
Interest Received on Bond		\$737,821	\$737,821					\$0		\$0	\$737,821
Cost of Issuance			\$0				\$749,000	\$749,000		\$749,000	(\$749,000)
ES BOND EXPENSE & INTEREST BUDGET AVAILABLE	\$0	\$1,037,821	\$1,037,821	\$0	\$0	\$0	\$749,000	\$749,000	\$0	\$749,000	\$288,821
ALL ES PROJECT TOTALS	\$385,000,000	\$1,037,821	\$386,037,821	\$18,197,828	\$23,339,691	\$4,727,949	\$28,251,819	\$74,517,287	\$2,440,835	\$76,958,122	\$309,079,699

DRAFT Preliminary Working Budget - Measure ES

Malibu Allocation

\$ 77,000,000

Projected Forecast

Lighting & Abatement

Malibu Interior Light Fixture	\$	2,200,000
Malibu Caulk Removal	\$	1,700,000

Windows, Paint, Flooring & Doors

Cabrillo - Abatement Building F	\$	2,000,000
Webster	\$	4,000,000
Point Dume	\$	2,000,000
Malibu HS - Building F, I, G <i>Summer 2017</i>	\$	2,000,000
Malibu HS - Building J & H <i>Summer 2018</i>	\$	1,500,000
Malibu HS - Building D <i>after Bldg E</i>	\$	1,500,000
<i>1990's</i> Malibu HS - Building K <i>modernizing atrium - carpet/ptl lighting</i>		500,000

Portables Replacement

Webster - New Preschool Building - 3 Classroom	\$	3,000,000
Cabrillo - New Preschool Building - 3 Classroom	\$	3,000,000

replaced permanent

HVAC & Electrical

Malibu HS	\$	3,600,000
Cabrillo	\$	1,400,000
Point Dume	\$	1,300,000
Webster	\$	1,600,000

Malibu Centralized Costs

Solar Project / Alternative Energy	\$	4,000,000
------------------------------------	----	-----------

Staff/Program Mgmt 5% of allocation

Contingency (10% of allocation)

	\$	7,700,000
--	----	-----------

Other Malibu Projects

MMHS Theater Upgrades		
MMHS Unidentified Projects		
Elementary School Unidentified Projects		

BB Shortfalls (*Preliminary Estimate)	\$	11,000,000
---------------------------------------	----	------------

Total ES Malibu Projected Budget		\$ 77,000,000
---	--	----------------------

Budget Remaining		-
------------------	--	---

DRAFT Preliminary Working Budget - Measure ES

SAMOHI Allocation - Measure ES

\$ 180,000,000

Projected Forecast

SAMOHI Campus Plan	\$	2,000,000
SAMOHI Construction		
Interim Repair/Upgrade Projects (Band-Aids)	\$	2,500,000
Interim Softball Field	\$	1,500,000
Barnum Hall Repairs and Upgrades	\$	1,000,000
Phase 1 - Pool and Classroom Building		79,400,000
Phase 2 - Parking/Dist and Classroom Bldg	\$	61,600,000
HVAC & Electrical	\$	4,000,000
SAMOHI Centralized Costs	\$	8,000,000
Solar Project / Alternative Energy	\$	3,000,000
Contingency (10% of Allocation)	\$	18,000,000
BB Shortfalls	\$	13,500,000
Phase 3 Design	\$	4,000,000

Total ES SAMOHI Projected Budget

Budget Remaining

\$ 198,500,000
\$ (18,500,000)

87 mio
log left
completed
together

(14 mio)

→ 2021

*\$49M hard cost. SCP lists \$90M total, but appears too conservative.

*\$38M hard cost. SCP lists \$84M total, but appears too conservative and contemplates separate phases.

vs 174 separately

DRAFT Preliminary Working Budget - Measure ES

Santa Monica - Other Allocation		\$	93,568,642
Windows, Paint, Flooring & Doors			
	Projected Forecast		
Will Rogers	\$	4,000,000	
Grant	\$	2,500,000	
Mckinley	\$	3,000,000	
Franklin	\$	2,500,000	
Roosevelt	\$	2,500,000	
Washington	\$	500,000	
Olympic High School	\$	2,000,000	
Muir/SMASH	\$	1,000,000	
		WPDF SUBTOTAL	\$ 18,000,000
Auditorium			
Adams - Temporary MPR/Auditorium	\$	1,500,000	
Adams - New 750 Seat Theatre, SMC \$20M (or 650 Seat Theater at \$18M)	\$	10,000,000	
Lincoln - Seat Replacement	\$	500,000	
		AUD SUBTOTAL	\$ 12,000,000
Field/ Gym			
Adams - Replace Synthetic Turf	\$	1,500,000	<i>Summer 2018</i>
Lincoln - Track & Field Renovation	\$	3,000,000	<i>Summer 2017</i>
Adams - Gym Floor Replacement	\$	200,000	
		ATHL SUBTOTAL	\$ 4,700,000
HVAC & Electrical			
Rogers	\$	2,000,000	
Grant	\$	1,700,000	
Muir/SMASH	\$	1,500,000	
Washington	\$	500,000	
McKinley	\$	1,800,000	
Roosevelt	\$	2,300,000	
Franklin	\$	1,800,000	
Olympic	\$	1,000,000	
Lincoln	\$	4,000,000	
Adams	\$	4,500,000	
		HVAC SUBTOTAL	\$ 21,100,000
Santa Monica - Other Centralized Costs	\$	5,000,000	
Solar Project / Alternative Energy	\$	5,000,000	
Contingency (10% of allocation)	\$	9,356,864	
BB Shortfalls	\$	18,000,000	
		MISC SUBTOTAL	\$ 37,356,864
Total OSM Projected Budget		\$	93,156,864
Budget Remaining		\$	411,778

Future Bonds

Unknown

SAMOHI Construction

Projected Forecast

Phase 3 - Library/Classroom Bldg and Gold Gym	\$	150,000,000
Phase 4 - Classroom Bldg, Parking, and CTE	\$	100,000,000
Phase 5 - Admin Mod and New Student Services	\$	95,000,000
Phase 6-9 - Music Bldg and Athletic Facilities	\$	660,000,000

20+ years out

SAMOHI Centralized Costs

Solar Project / Alternative Energy Contingency

\$ 6,000,000

Total Future SAMOHI Projected Budget

\$ 1,011,000,000

Other Santa Monica Construction

Portable Replacement

Rogers - 2 Story, 12 Classroom	\$	13,000,000
Rogers - MPR and Kitchen	\$	8,000,000
McKinley - 2 Story, 12 Classroom, Building 1	\$	13,000,000
McKinley - 2 Story, 12 Classroom, Building 2	\$	13,000,000
Grant - 2 Story, 12 Classroom	\$	13,000,000
Franklin - 2 Story, 12 Classroom	\$	13,000,000
Roosevelt - 2 Story, 12 Classroom	\$	13,000,000
Muir/SMASH - 4 Classroom Bungalow Replacement	\$	5,300,000

PORT SUBTOTAL \$ 91,300,000

Windows, Paint, Flooring & Doors

JAMS	\$	8,000,000
Lincoln	\$	8,000,000

WPFD SUBTOTAL \$ 16,000,000

Santa Monica - Other Centralized Costs

Solar Project / Alternative Energy Contingency

\$ 7,000,000

Total Future OSM Projected Budget

\$ 114,300,000

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification
Negotiating Committee

September 14, 2016

Prepared by:

Robert D. Miyashiro
Vice President

Michael Ricketts
Associate Vice President

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification
Negotiating Committee

September 14, 2016

Prepared by:

Robert D. Miyashiro
Vice President

Michael Ricketts
Associate, Vice President

Copyright © 2016 by
School Services of California, Inc.
1121 L Street, Suite 1060
Sacramento, CA 95814
(916) 446-7517
FAX (916) 446-2011
www.sscal.com

All rights reserved. These materials may not be duplicated in any way without the expressed written consent of School Services of California, Inc., except in the form of brief excerpts or quotations or as a teaching guide to employees of the school agency or organization that contracted for this report. Making copies of this report or any portion for any purpose other than your own or as noted above is a violation of United States copyright laws.



Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

Table of Contents

Introduction	1
Summary	1
Background	1
Summary of Findings and Conclusions	1
Method and Assumptions.....	4
Summary of the Forecast.....	6
The Santa Monica-Malibu Unified School District.....	6
The Santa Monica Unified School District.....	6
The Malibu Unified School District	7
State Costs	8
Alternative Scenarios	8
Optimistic Property Tax Growth Scenario—6%.....	8
Conservative Property Tax Growth Scenario—3%	8
The Revenue Forecast	9
The LCFF Model.....	9
Other Local Revenues	9
Findings	11
The Short-Term Forecast, 2017-18 through 2020-21	12
The Santa Monica-Malibu Unified School District	13
The Santa Monica Unified School District.....	14
The Malibu Unified School District	15
Change in Revenues Under a Reorganization.....	16
The Long-Term Forecast, 2021-22 through 2028-29	17
The Santa Monica-Malibu Unified School District	18
The Santa Monica Unified School District.....	19
The Malibu Unified School District	20
Long-Term Revenue Impact.....	21
Change in State Aid	21

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

Sensitivity to Changing Factors	22
Sensitivity Analysis: The Conservative View—3% Average Annual Increase in Property Tax Revenues	22
Sensitivity Analysis: The Optimistic View—6% Average Annual Increase in Property Tax Revenues	22
Relative Change in Revenues—Three Scenarios.....	23
Other Revenues—Supplemental Analysis	24
City of Santa Monica Sales and Use Tax (November 2016, Measure GSH)	25
Ground Leases.....	26
Malibu Parcel Tax.....	26
Proposition 55—The California Children’s Education and Health Care Protection Act of 2016	28
Conclusion	29
Appendices	I
Baseline Forecast—Tables (Appendix A)	I
Modeling and Revenue Forecasting Assumptions (Appendix B)	I
Ground Lease Revenue Documentation (Appendix C)	I
Appendix A—Baseline Forecast	II
Summary 2018-21	II
Summary 2021-25.....	VII
Summary 2025-29.....	XII
Appendix B—Modeling and Revenue Forecasting Assumptions	XVII
LCFF Factors and Assumptions.....	XVII
Appendix C—Ground Lease Revenue Documentation	XXIII

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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.

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

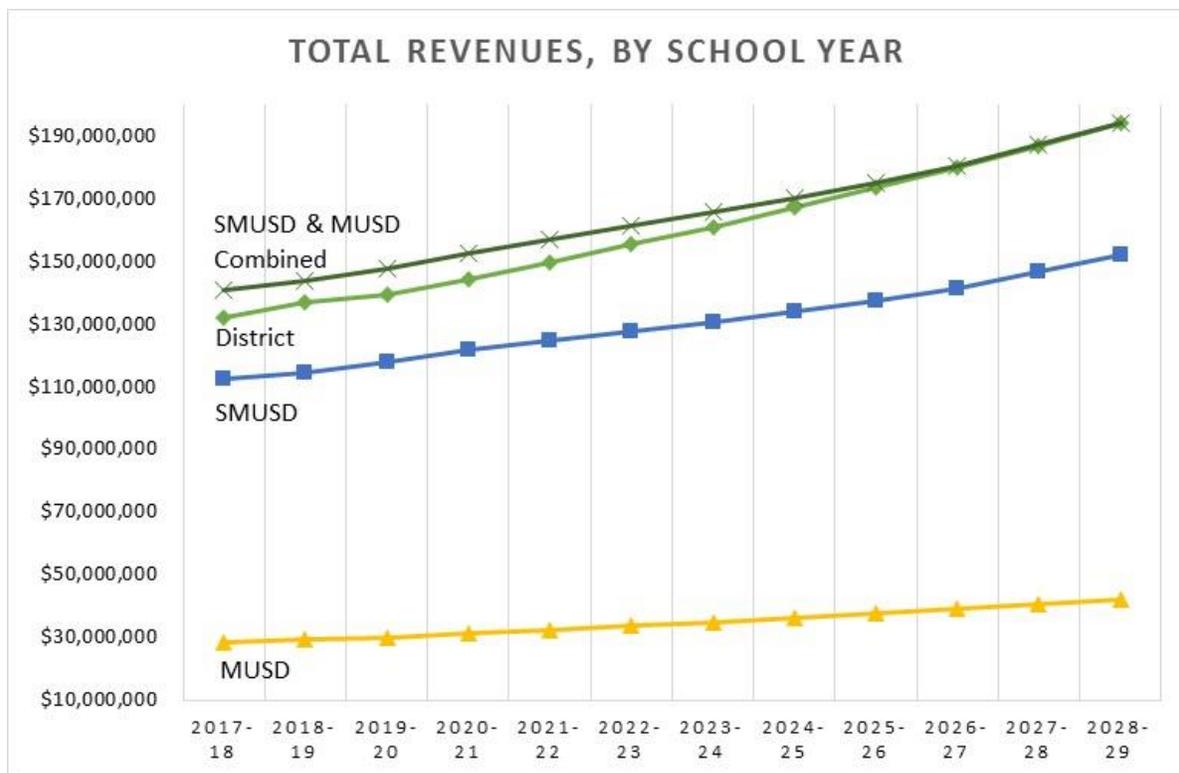
Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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.

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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.

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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.

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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.

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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.

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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.

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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.

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

- ✚ **“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%.

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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.

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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.

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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

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.

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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.

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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.

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

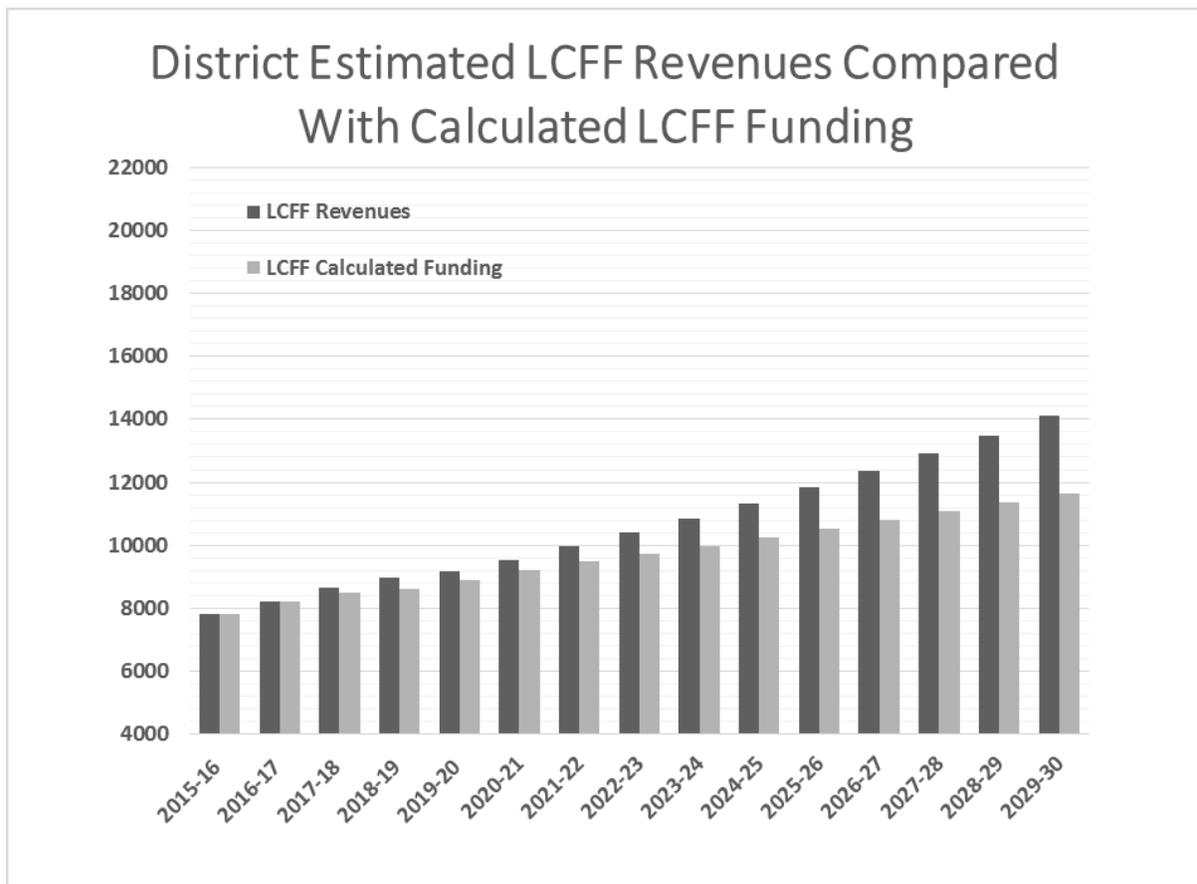
The following three graphs display the relationship between the calculated LCFF funding and actual LCFF funding for each of the three district configurations. Actual LCFF funding will equal the calculated LCFF funding when local revenues are sufficiently below the LCFF calculated amount so that the minimum 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



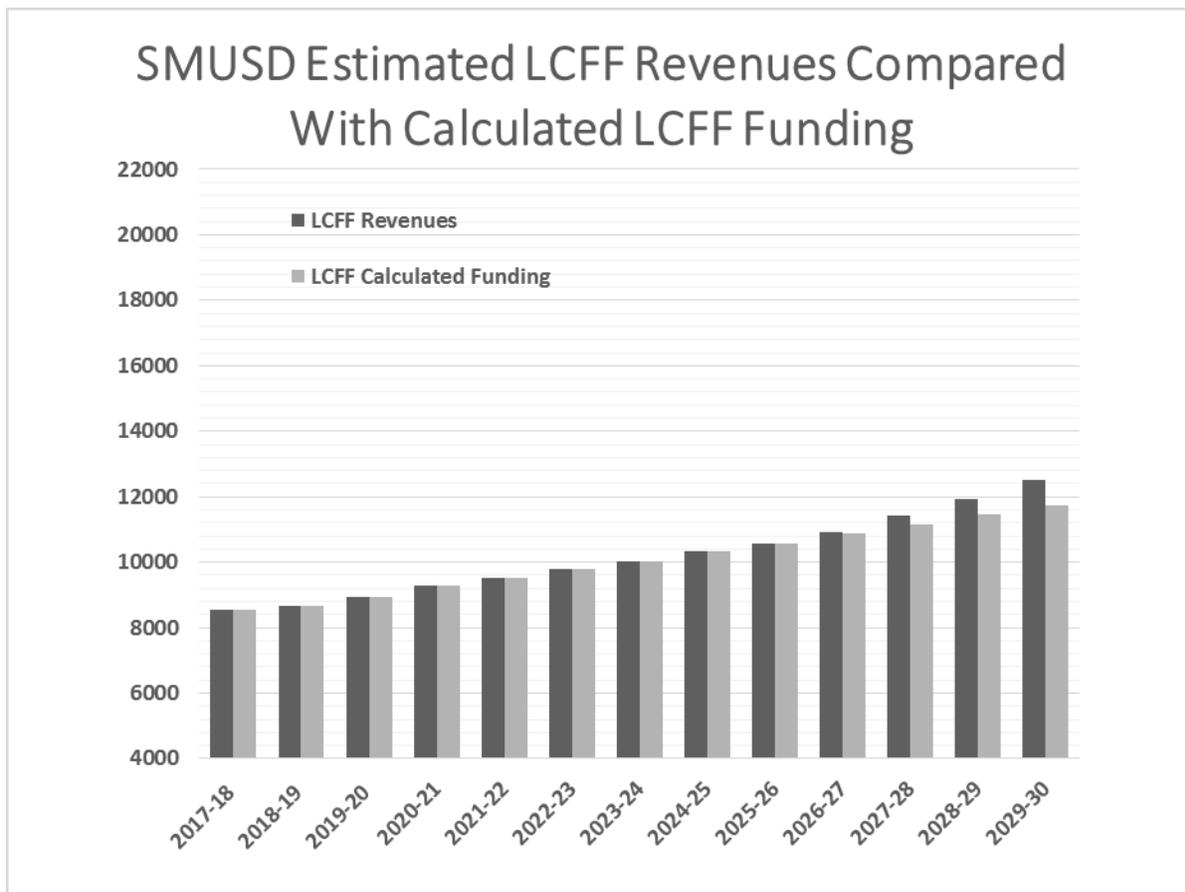
Santa Monica-Malibu Unified School District Reorganization Review and Analysis

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



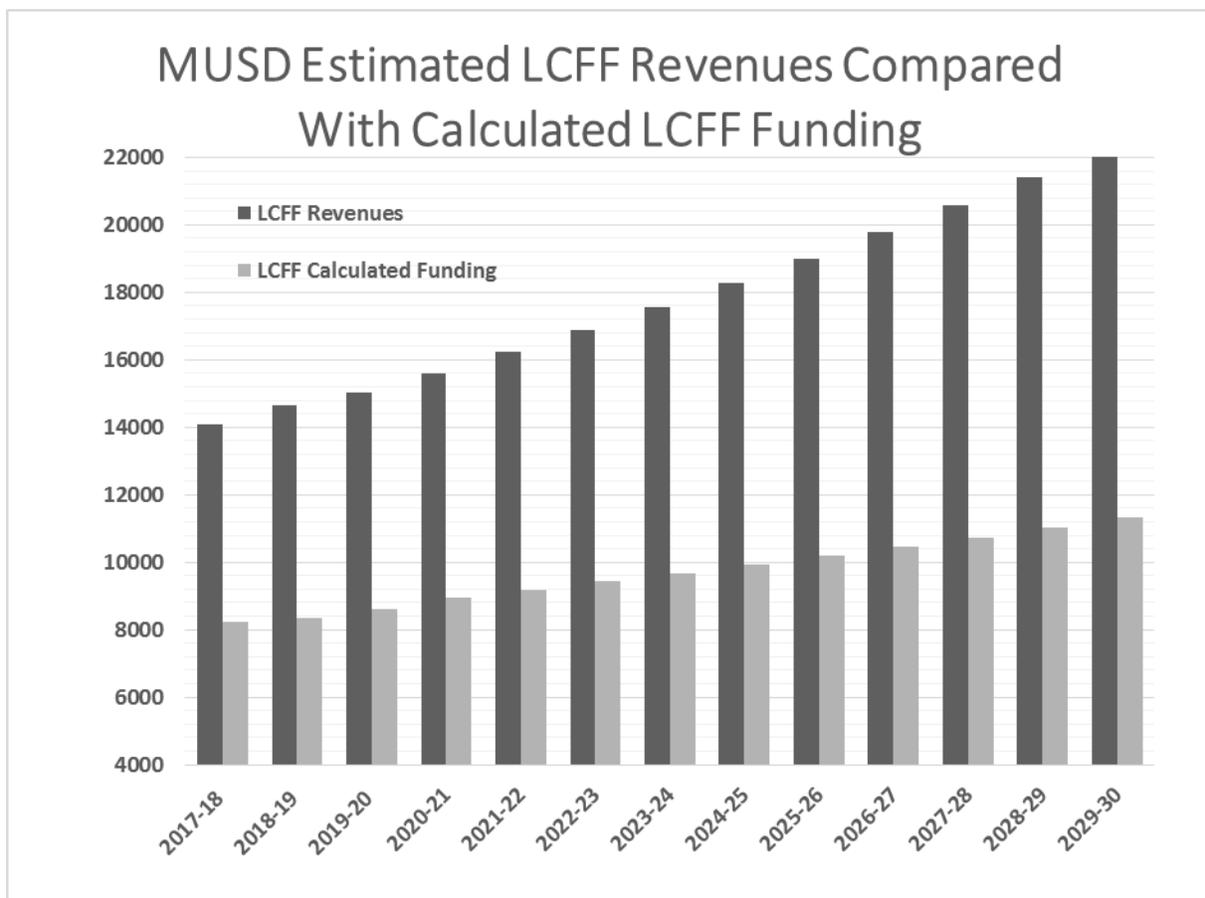
Santa Monica-Malibu Unified School District Reorganization Review and Analysis

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



Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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.

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

- 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

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

Other Revenues—Supplemental Analysis

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.

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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	\$1,758,838	\$169,500	\$3,302,739
2018-19	\$8,400,000	\$1,781,077	\$172,890	\$3,384,977
2019-20	\$8,600,000	\$1,804,027	\$176,347	\$3,464,862
2020-21	\$8,772,000	\$1,827,717	\$179,874	\$3,546,632
2021-22	\$8,947,440	\$1,935,900	\$183,472	\$3,630,333
2022-23	\$9,126,389	\$1,961,156	\$187,141	\$3,716,009
2023-24	\$9,308,917	\$1,987,243	\$190,884	\$3,803,707
2024-25	\$9,495,095	\$2,014,191	\$194,702	\$3,893,474
2025-26	\$9,984,997	\$2,042,037	\$198,596	\$3,985,360
2026-27	\$9,878,697	\$2,211,312	\$202,568	\$4,079,414
2027-28	\$10,076,271	\$2,241,061	\$206,619	\$4,175,688
2028-29	\$10,277,796	\$2,271,818	\$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 schools⁷. 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.

⁷ Assumes voter approval of advisory Measure GS.

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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 \$168 per ADA in 2017-18, increasing to \$217 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 \$34 to \$44 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 \$168 to \$217 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.

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.

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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	\$34	(\$16)	\$0	\$175
2018-19	\$161	\$34	(\$17)	\$0	\$178
2029-20	\$165	\$35	(\$17)	\$0	\$183
2020-21	\$168	\$35	(\$17)	\$0	\$186
2021-22	\$171	\$37	(\$18)	\$0	\$190
2022-23	\$175	\$38	(\$18)	\$0	\$195
2023-24	\$178	\$38	(\$18)	\$0	\$198
2024-25	\$182	\$39	(\$19)	\$0	\$202
2025-26	\$186	\$39	(\$19)	\$0	\$206
2026-27	\$189	\$42	(\$19)	\$0	\$212
2027-28	\$193	\$43	(\$20)	\$0	\$216
2028-29	\$197	\$44	(\$20)	\$0	\$221

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)	(\$168)	\$81	\$1,890	\$1,019
2018-19	(\$803)	(\$170)	\$82	\$1,937	\$1,046
2029-20	(\$822)	(\$172)	\$84	\$1,983	\$1,073
2020-21	(\$838)	(\$175)	\$86	\$2,030	\$1,103
2021-22	(\$855)	(\$185)	\$87	\$2,078	\$1,125
2022-23	(\$872)	(\$187)	\$89	\$2,127	\$1,157
2023-24	(\$890)	(\$190)	\$91	\$2,177	\$1,188
2024-25	(\$908)	(\$193)	\$93	\$2,228	\$1,220
2025-26	(\$926)	(\$195)	\$95	\$2,281	\$1,255
2026-27	(\$944)	(\$211)	\$97	\$2,335	\$1,277
2027-28	(\$963)	(\$214)	\$99	\$2,390	\$1,312
2028-29	(\$982)	(\$217)	\$100	\$2,446	\$1,347

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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.

Year	Baseline—Initial Analysis		Additional Revenue		Net Change, Additional Revenues	
	SMUSD	MUSD	SMUSD	MUSD	SMUSD	MUSD
2017-18	\$112	\$2,541	\$175	\$1,019	\$287	\$3,560
2018-19	(\$130)	\$2,670	\$178	\$1,046	\$48	\$3,716
2019-20	\$6	\$2,818	\$183	\$1,073	\$189	\$3,891
2020-21	(\$48)	\$2,954	\$186	\$1,103	\$138	\$4,057
2021-22	(\$216)	\$3,094	\$190	\$1,125	(\$26)	\$4,219
2022-23	(\$374)	\$3,240	\$195	\$1,157	(\$179)	\$4,397
2023-24	(\$594)	\$3,390	\$198	\$1,188	(\$396)	\$4,578
2024-25	(\$781)	\$3,546	\$202	\$1,220	(\$579)	\$4,766
2025-26	(\$1,032)	\$3,708	\$206	\$1,255	(\$826)	\$4,963
2026-27	(\$1,223)	\$3,874	\$212	\$1,277	(\$1,011)	\$5,151
2027-28	(\$1,262)	\$4,046	\$216	\$1,312	(\$1,046)	\$5,358
2028-29	(\$1,303)	\$4,225	\$221	\$1,347	(\$1,082)	\$5,572

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

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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 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

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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 scenarios⁸. 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.

⁸ 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.

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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 included⁹. 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.

⁹ 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.

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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 (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
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	\$1,758,838	\$168	\$1,781,077	\$170	\$1,804,027	\$172	\$1,827,717	\$175
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	\$41,823,834	\$3,998	\$42,743,171	\$4,086	\$43,654,884	\$4,173	\$44,560,139	\$4,259
TOTAL REVENUES	\$132,095,258	\$12,626	\$136,745,724	\$13,071	\$139,336,808	\$13,318	\$144,405,255	\$13,803

*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 Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

Santa Monica USD

	2017-18		2018-19		2019-20		2020-21	
		Per ADA		Per ADA		Per ADA		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	-		-		-		-	
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	\$1,758,838	\$202	\$1,781,077	\$204	\$1,804,027	\$207	\$1,827,717	\$210
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	\$38,151,596	\$4,378	\$38,985,305	\$4,473	\$39,813,675	\$4,568	\$40,629,633	\$4,662
TOTAL REVENUES	\$112,534,438	\$12,913	\$114,330,966	\$13,119	\$117,707,487	\$13,507	\$121,495,089	\$13,941

*Assumes annual property tax growth of the following percentage:

5.04%

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

Malibu USD

	2017-18		2018-19		2019-20		2020-21	
		Per ADA		Per ADA		Per ADA		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
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 Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 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)
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	\$34	\$34	\$35	\$35
Malibu Parcel Tax (pending approval)	-	-	-	-
City of Santa Monica	\$172	\$176	\$180	\$184
City of Malibu	(\$19)	(\$19)	(\$19)	(\$19)
Subtotal, Other Local Revenue	\$380	\$388	\$396	\$403
TOTAL REVENUES	\$287	\$48	\$188	\$138

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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
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	(\$168)	(\$170)	(\$172)	(\$175)
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	(\$1,896)	(\$1,935)	(\$1,974)	(\$2,010)
TOTAL REVENUES	\$3,560	\$3,716	\$3,891	\$4,056

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

Summary 2021-25

Santa Monica-Malibu USD								
	2021-22		2022-23		2023-24		2024-25	
		Per ADA		Per ADA		Per ADA		Per ADA
ADA	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
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	\$1,935,900	\$185	\$1,961,156	\$187	\$1,987,243	\$190	\$2,014,191	\$193
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	\$45,568,571	\$4,356	\$46,513,137	\$4,446	\$47,478,081	\$4,538	\$48,463,728	\$4,632
TOTAL REVENUES	\$149,775,880	\$14,316	\$155,291,152	\$14,843	\$161,045,282	\$15,393	\$167,049,038	\$15,967

*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 Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

Santa Monica USD								
	2021-22		2022-23		2023-24		2024-25	
		Per ADA		Per ADA		Per ADA		Per ADA
ADA	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	-	-	-	-	-	-	-	-
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	\$1,935,900	\$222	\$1,961,156	\$225	\$1,987,243	\$228	\$2,014,191	\$231
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	\$41,546,686	\$4,767	\$42,397,744	\$4,865	\$43,267,003	\$4,965	\$44,154,735	\$5,067
TOTAL REVENUES	\$124,548,291	\$14,292	\$127,793,872	\$14,664	\$130,700,215	\$14,997	\$134,105,328	\$15,388

*Assumes annual property tax growth of the following percentage:

5.04%

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

Malibu USD

	2021-22		2022-23		2023-24		2024-25	
		Per ADA		Per ADA		Per ADA		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
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 Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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)
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	\$37	\$38	\$38	\$39
Malibu Parcel Tax (pending approval)	-	-	-	-
City of Santa Monica	\$187	\$191	\$195	\$199
City of Malibu	(\$20)	(\$20)	(\$21)	(\$21)
Subtotal, Other Local Revenue	\$412	\$419	\$427	\$434
TOTAL REVENUES	(\$25)	(\$179)	(\$396)	(\$579)

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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)
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	(\$185)	(\$187)	(\$190)	(\$193)
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	(\$2,054)	(\$2,090)	(\$2,128)	(\$2,166)
TOTAL REVENUES	\$4,219	\$4,396	\$4,579	\$4,768

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

Summary 2025-29

Santa Monica-Malibu USD								
	2025-26		2026-27		2027-28		2028-29	
		Per ADA		Per ADA		Per ADA		Per ADA
ADA	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
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	\$2,042,037	\$195	\$2,211,312	\$211	\$2,241,061	\$214	\$2,271,818	217
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	\$49,470,619	\$4,729	\$50,639,699	\$4,840	\$51,690,431	\$4,941	\$52,763,881	\$5,043
TOTAL REVENUES	\$173,313,903	\$16,566	\$179,992,288	\$17,204	\$186,815,671	\$17,857	\$193,937,704	\$18,537

*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 Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

Santa Monica USD								
	2025-26		2026-27		2027-28		2028-29	
		Per ADA		Per ADA		Per ADA		Per ADA
ADA	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
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	\$2,042,037	\$234	\$2,211,312	\$254	\$2,241,061	\$257	\$2,271,818	\$261
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	\$45,061,430	\$5,171	\$46,127,979	\$5,293	\$47,073,791	\$5,402	\$48,039,875	\$5,512
TOTAL REVENUES	\$137,167,786	\$15,740	\$141,127,364	\$16,194	\$146,500,684	\$16,810	\$152,117,422	\$17,455

*Assumes annual property tax growth of the following percentage:

5.04%

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

Malibu USD								
	2025-26		2026-27		2027-28		2028-29	
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
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

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)
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	\$39	\$42	\$43	\$44
Malibu Parcel Tax (pending approval)	-	-	-	-
City of Santa Monica	\$203	\$207	\$211	\$215
City of Malibu	(\$22)	(\$22)	(\$22)	(\$23)
Subtotal, Other Local Revenue	\$442	\$453	\$461	\$469
TOTAL REVENUES	(\$826)	(\$1,010)	(\$1,046)	(\$1,082)

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 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)
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	(\$195)	(\$211)	(\$214)	(\$217)
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	(\$2,205)	(\$2,258)	(\$2,298)	(\$2,340)
TOTAL REVENUES	\$4,962	\$5,150	\$5,358	\$5,572

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 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 LCFE target grants and for LCFE 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 LCFE grants by the COLA percentage estimated for 2019-20. The Administration’s plan for LCFE 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 LCFE 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

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

Table B2 Assessed Value by Year, City of Malibu and City of Santa Monica							
<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

Santa Monica-Malibu Unified School District

Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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.

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

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>
----------------------	---------------	-------------------	----------------------

Pt Dume Elementary	Children’s Creative Workshop	Annual – Fiscal year	\$30,891.71 less (2) months rent.
--------------------	------------------------------	----------------------	-----------------------------------

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
--------------------	----------------	----------------------	-------------

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
--------------------	--	------------------------	-------------

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
--------------------	---	--------------------	-------------

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

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 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
------------	-------------------------------------	--------------------	-------------

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
---------	----------------------	--------------------	---

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
------------------	------------------------	-----------------	-----------

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	

Santa Monica-Malibu Unified School District Reorganization Review and Analysis

Report Prepared for the Malibu Unification Negotiating Committee

September 14, 2016

FACILITY USE DEPARTMENT

9/13/2016

PAGE 3

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