

Feasibility Analysis of  
the Proposed  
Reorganization of  
Santa Monica-Malibu  
Unified School District  
into Two Separate  
Districts

November 2024



# TABLE OF CONTENTS

<b>INTRODUCTION</b> .....	<b>3</b>
<i>Mediation with SM-MUSD</i> .....	6
<b>CRITERION #1: ADEQUATE NUMBER OF PUPILS</b> .....	<b>7</b>
KEY FINDINGS: .....	7
ANALYSIS OF CRITERION #1: .....	8
<i>Understanding the Enrollment Loss in the Malibu Area</i> .....	11
<i>Intent of Feasibility Criterion #1</i> .....	13
ABILITY TO MEET FEASIBILITY CRITERION #1: .....	14
<b>CRITERION #2: COMMUNITY IDENTITY</b> .....	<b>16</b>
KEY FINDINGS: .....	16
ANALYSIS OF CRITERION #2: .....	18
<i>Community Identity Survey</i> .....	20
ABILITY TO MEET FEASIBILITY CRITERION #2: .....	39
<b>CRITERION #3: EQUITABLE DIVISION OF PROPERTY AND FACILITIES</b> .....	<b>40</b>
KEY FINDINGS: .....	40
ANALYSIS OF CRITERION #3: .....	41
<i>Real Property</i> .....	41
<i>Evaluation of Existing School Facilities</i> .....	42
<i>Personal Property</i> .....	46
<i>Bonded Indebtedness</i> .....	46
<i>Pension and Other Post Employment Benefit (OPEB) Reserves and Liabilities</i> .....	49
<i>Other Assets, Liabilities, and Fund Balances</i> .....	50
ABILITY TO MEET FEASIBILITY CRITERION #3: .....	50
<b>CRITERION #4: DISCRIMINATION/SEGREGATION</b> .....	<b>51</b>
KEY FINDINGS: .....	52
ANALYSIS OF CRITERION #4: .....	52
ABILITY TO MEET FEASIBILITY CRITERION #4: .....	56
<b>CRITERION #5: NO INCREASE IN STATE COSTS</b> .....	<b>57</b>
KEY FINDINGS: .....	57
ANALYSIS OF CRITERION #5: .....	57
<i>Evaluation of the Basic Aid Status of Both Districts</i> .....	57
<i>Additional State Costs for School Facilities</i> .....	65
<i>Categorical and Special Education Program Costs</i> .....	66
<i>Special Education Transportation Cost Reimbursement</i> .....	66
<i>Necessary Small School Funding</i> .....	66
ABILITY TO MEET FEASIBILITY CRITERION #5: .....	66
<b>CRITERION #6: PROMOTING EDUCATIONAL PERFORMANCE</b> .....	<b>67</b>
KEY FINDINGS: .....	67
ANALYSIS OF CRITERION #6: .....	67
<i>Current Academic Program at SM-MUSD</i> .....	68
<i>Program Quality Of Academic Courses In Santa Monica And Malibu</i> .....	74
<i>Community Visioning Survey Data</i> .....	78
<i>Advantages Of A Locally Controlled School District</i> .....	80
ABILITY TO MEET FEASIBILITY CRITERION #6: .....	82
<b>CRITERION #7: SCHOOL HOUSING COSTS</b> .....	<b>83</b>

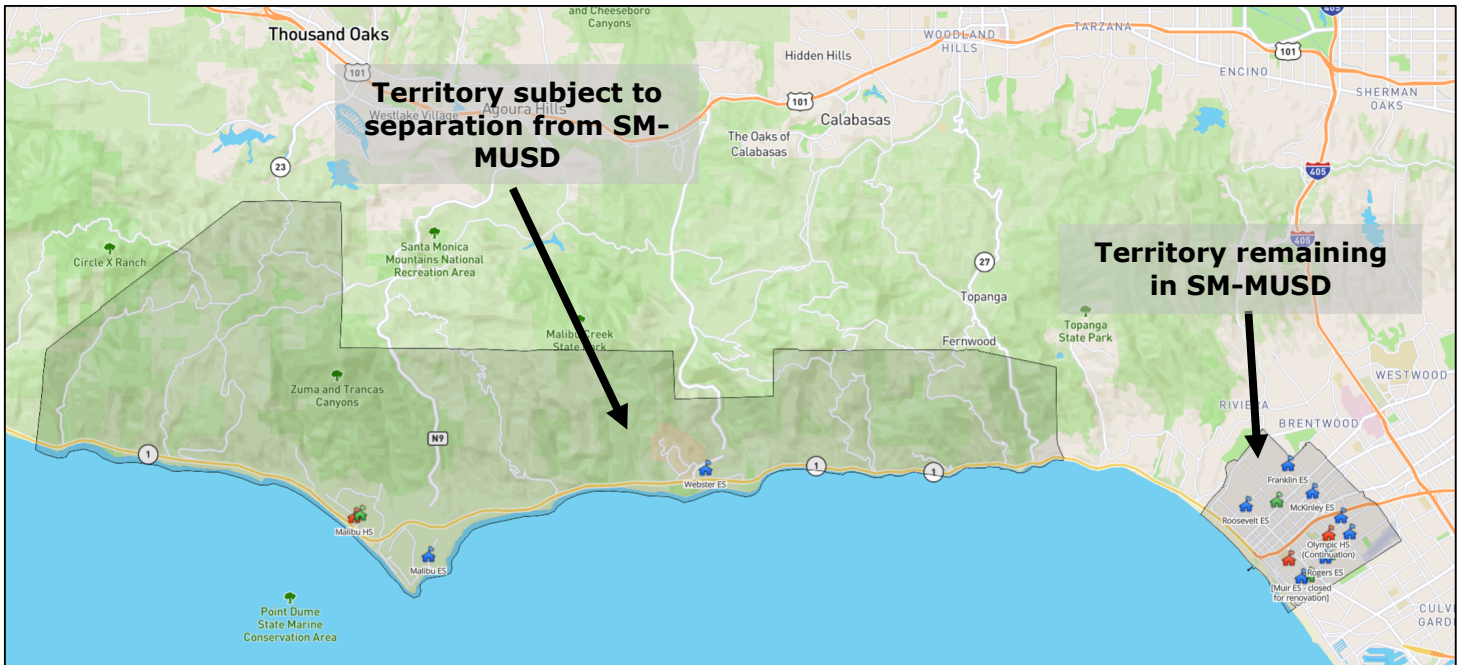
KEY FINDINGS: .....	83
ANALYSIS OF CRITERION #7: .....	83
<i>Bonding Capacity</i> .....	85
<i>Developer Fees</i> .....	85
<i>Condition of Existing Facilities</i> .....	85
<i>State School Facility Program</i> .....	86
ABILITY TO MEET FEASIBILITY CRITERION #7: .....	86
<b>CRITERION #8: PROPERTY VALUES.....</b>	<b>87</b>
KEY FINDINGS: .....	87
ANALYSIS OF CRITERION #8: .....	87
ABILITY TO MEET CRITERION #8: .....	88
<b>CRITERION #9: SOUND FISCAL MANAGEMENT .....</b>	<b>89</b>
KEY FINDINGS: .....	89
ANALYSIS OF CRITERION #9: .....	89
<i>Property Tax Exchange</i> .....	92
<i>Financial Viability of the Reorganized Districts</i> .....	95
ABILITY TO MEET CRITERION #9: .....	104

# INTRODUCTION

The City of Malibu and its constituents desire to establish an independent Malibu Unified School District (MUSD) that will have safe, small, academically successful schools. The Malibu community desires a unified educational system whereby educational expectations and accountability are driven by a locally controlled board of trustees representing and accountable to Malibu area residents. This locally controlled educational system will fulfill the community's desire for a coordinated, sequential educational program from preschool through twelfth grade and provide for a more effective use of resources to specifically meet the educational program desires of the Malibu community. This independent MUSD will increase collaboration among school staff and the community to further enrich the educational success of Malibu students.

The proposed reorganization would change the boundaries of Santa Monica-Malibu Unified School District (SM-MUSD) and transfer the responsibility to serve students residing in the City of Malibu, as well as the surrounding unincorporated area of Los Angeles County, to the new MUSD. As shown in **Figure 1**, four school sites, currently located in the Malibu area would be transferred to the new MUSD: Malibu High School; Malibu Middle School; Malibu Elementary School; and Webster Elementary School.

**FIGURE 1**



## **The Call to Separate**

For over a decade, concerned Malibu citizens have tried to initiate the separation of the Malibu area from SM-MUSD. Moving forward with this separation may ultimately help the remaining Santa Monica Unified School District (SMUSD) follow a new path toward enhanced transparency, improved diversity initiatives, higher accountability, closing the achievement gap, and greater responsiveness overall to the remaining community that it serves, without ongoing distractions from Malibu.

**Achievement Gap.** The students in the Malibu area have not received the quality of education desired by the Malibu community under the governance of SM-MUSD. More importantly, a study shows that SM-MUSD has also failed to address various diversity initiatives within the District because of its focus on serving Malibu, a distinctly separate community of parents and students. With separation, each of the future school districts will be better suited to utilize their respective resources and address the particular needs of their distinct communities.

Ultimately, the City is seeking separation from SM-MUSD because Malibu students have been and will continue to be harmed with the current school district organization. This is occurring on many fronts. From an academic perspective, although Malibu students usually perform well above state averages, they are missing out on key programs to better prepare themselves for college and the workforce and are seeing lower test scores than their Santa Monica counterparts in key subject areas. Plus, Malibu families are terribly concerned about the steady decline in enrollment in Malibu schools. To SM-MUSD, this is merely a small decline in enrollment since Malibu schools represent a fraction of their total student population. Since it does not concern the District, nothing is being done to keep Malibu students in the schools nor to bring those back that have left. For Malibu, this decline in enrollment and loss of families in the community is an educational crisis that must be addressed.

In addition to the above-mentioned academic programs, Malibu area students that are the most in need are not being served well by the current school district organization. For example, English Language Learners (ELL) in Malibu are consistently left behind and not able to achieve the same success as their Santa Monica area counterparts. The Santa Monica-focused leadership is simply not investing the resources into this student population in Malibu and are letting ELL students fall through the cracks.

Post-reorganization, SMUSD will still have sufficient funding to be able to offer the same programs they currently offer Santa Monica students, while MUSD will have the opportunity to customize its programs to better fit the educational needs of Malibu students.

**Higher Accountability.** A majority of the student population of SM-MUSD, approximately 88%, reside in the Santa Monica area. As a result, the SM-MUSD administration focuses on the needs and goals of that student population. However, the rural Malibu community is a vastly different type of community than the urban Santa Monica community, and Malibu's student needs are simply not being met with the current school district structure. Further, Malibu residents do not have a strong enough influence to make a change due to the relative size of the Malibu voter base as compared to the Santa Monica voter base. Reorganization is the only solution that will enable Malibu-area residents to determine how to best educate their students.

**Community Responsiveness.** It is not practical for these two communities – Malibu and Santa Monica – to be joined together. **Leaders in both Santa Monica and Malibu concur that separation makes sense.** The two communities are geographically detached, separated by portions of the City of Los Angeles and unincorporated Los Angeles County, and commuting between the two communities is time consuming and unsafe. As a result, there is minimal interaction between the two communities leading to a lack of cohesiveness in the school education system.

Importantly, Malibu area residents believe that its local government agencies should live within their means. This is simply not the case with SM-MUSD. Even as a highly funded "Basic Aid" district, SM-MUSD has an ongoing structural budget deficit with disproportionately high administrative overhead. The District's budgetary decisions are not aligned with the expectations of Malibu taxpayers and,

with a lack of local control, the Malibu residents do not have the ability to affect spending decisions. A smaller district will be better able to provide the resources that local students and educators need to succeed because MUSD leadership will be less bureaucratic, closer to classroom needs, and more responsive to community concerns about fiscal management and the educational program.

SM-MUSD currently operates Malibu schools on a completely separate track from Santa Monica schools. Students typically attend school in their local community without much intermingling of students from each community. Community-based organizations and events are not shared between these two communities. The District even created separate facilities funding districts in 2018, when they created two separate bonding districts with one in Malibu and one in Santa Monica, to separately fund school improvements in each community. Since the communities and schools operate separately already, it makes practical sense to officially separate the school districts.

From a health and safety perspective, the SM-MUSD leadership's decision about health and safety needs do not reflect the needs and desires of the Malibu community. Malibu is a rural community faced with fire danger, emergency electrical power outages, mudslides, road closures, and other hazards on an on-going basis. As an urban community, Santa Monica faces its own discrete health and safety challenges, but the challenges are different for each of these communities. This matters because the health and safety of Malibu students are put at risk when SM-MUSD fails to properly respond to and plan for catastrophes that are unique to the Malibu terrain. For example, as the Woolsey Fire started to spread to the Santa Monica mountains on the morning of November 9, 2018, SM-MUSD administration ignored pleas by its lone Board member who lives in Malibu to close schools so that Malibu parents, students, and teachers could focus on the looming crisis. Additionally, when Malibu High was found to have polychlorinated biphenyls (PCBs), SM-MUSD refused to clean up an unsafe school and spent over \$7 million in legal fees fighting against the \$1.6 million it would have cost to remediate the harm. The SM-MUSD leadership is not in tune with the important health and safety issues facing the Malibu community, and separation will ensure that the schools better reflect the needs of these incredibly unique communities. Malibu students would be better served by a locally elected school board and administration that is focused on Malibu.

These are just a few of the issues driving the need for separation. At some point in the past, it may have been convenient for these two communities to be joined, but that is no longer the case. Malibu students deserve a high-quality education that reflects the unique needs and desires of the Malibu community. A separation of Malibu from SM-MUSD is the only way to adequately serve the educational needs of this student population.

A separate MUSD will:

- Create local control to make spending decisions to ensure that the school district lives within its means and to determine the educational programs offered in Malibu schools.
- Enhance the sense of community in the Malibu area with improved cooperation between the schools and local community leaders.
- Protect the well-being of staff, parents, and students by:
  - Eliminating the hazardous commute between the two communities in order for Malibu-area students to benefit from specialized programs and enrichment opportunities currently offered only in Santa Monica; and for Malibu school staff to receive professional development and training without having to put in the additional time and risk of commuting to Santa Monica.
  - Coordinating with the Malibu area public safety officials on the area's unique hazards.

- Responding to the health and safety concerns expressed by Malibu residents that simply do not resonate with Santa Monica leadership.
- Address the enrollment crisis in the Malibu area through targeted educational options demonstrating a responsiveness to student needs.

### **Mediation with SM-MUSD**

Since 2022, the City of Malibu has been in mediation with SM-MUSD to develop a path to separation of the two districts. The guiding principles of this mediation are:

- 1) Formation of an independent Malibu Unified School District is in the best interest of all students.**
- 2) Each successor educational entity to be allocated a sufficient share of funding to provide a similar level of service at each school site as prior to separation.**

In October of 2022, the parties adopted a Term Sheet that set forth concepts for separation that met the guiding principles and identified three agreements that, once drafted and ratified by both parties, would enable a successful separation. Although the agreements are substantially complete, they have not been ratified by the governing boards of either SM-MUSD or the City.

In the absence of a negotiated agreement, the City has established a tax exchange model that provides the future SMUSD and MUSD students with funding commensurate with current funding levels, as stated in the second guiding principle. Further, the tax exchange model provides for structured and ongoing support from MUSD to SMUSD to eliminate any drastic drop in funding from one year to the next. This tax exchange model is described in detail under Criterion #9 of this Feasibility Study.

### **Summary**

This Report has been prepared to address the nine criteria pursuant to Education Code Section 35753 to demonstrate the feasibility of the proposed reorganization. The County Committee and, ultimately, the State Board of Education are asked to consider the tax exchange terms when evaluating the feasibility of the proposed reorganization. Under such terms, this proposed reorganization is feasible.

## CRITERION #1: ADEQUATE NUMBER OF PUPILS

### **Education Code Section 35753(a)(1):**

The new district will be adequate in terms of number of pupils enrolled.

### **California Code of Regulations, Title 5, Section 18573(a)(1):**

It is the intent of the State Board that direct service districts not be created that will become more dependent upon county office of education and state support unless unusual circumstances exist. Therefore, each district affected must be adequate in terms of number of pupils, in that:

- (A) Each such district should have the following projected enrollment on the date that the proposal becomes effective or any new district becomes effective for all purposes:
  - Elementary District - 901
  - High School District - 301
  - Unified District - 1,501
- (B) The analysis shall state whether the projected enrollment of each affected district will increase or decline and the extent thereof.

### ***Key Findings:***

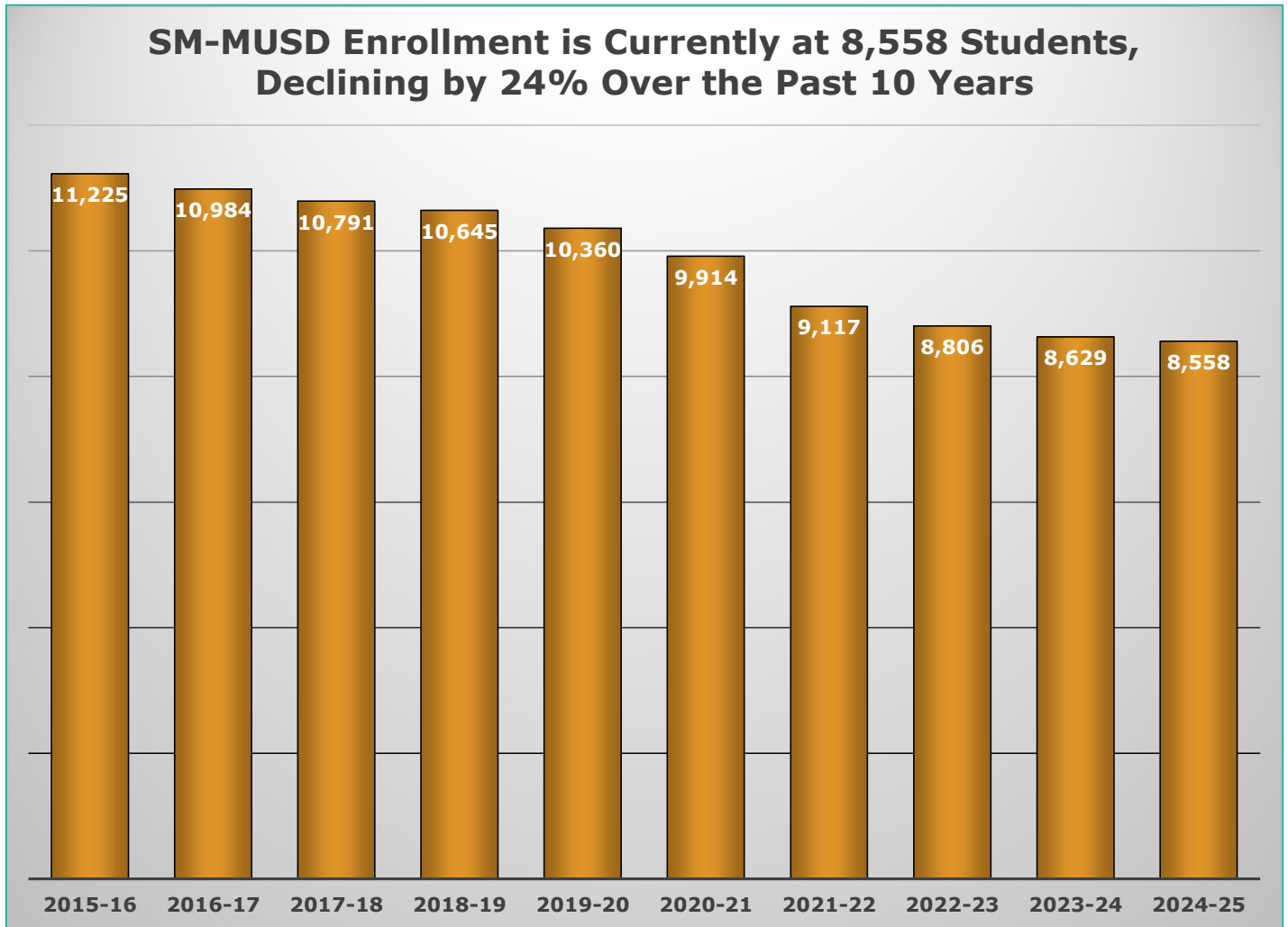
- Although student enrollment of the proposed MUSD is not expected to meet the threshold of 1,501 students set forth in the California Code of Regulations (CCR), **the proposed MUSD will substantially meet the intent of Criterion #1** because it will not be dependent on either county office of education or state support.
- The projected student enrollment of SMUSD will remain above the 1,501 student threshold.
- Recent Malibu City Council initiatives to increase affordable housing and regulate vacation rentals will likely impact the housing stock available to young families, thereby increasing the number of permanent residents in Malibu and having a positive impact on the student enrollment in Malibu schools.
- The Woolsey Fire in 2018 destroyed 488 homes in Malibu and an additional 397 homes outside of City limits but within the SM-MUSD boundaries (and within the proposed SMUSD boundaries). As these homes are rebuilt, families will come back to Malibu, likely increasing the student population.
- An independent MUSD will likely recover families that have left the district due to dissatisfaction with SM-MUSD. Gaining local control and an increased focus on academics will likely bring students back to Malibu schools and, subsequently, address the Malibu enrollment crisis.



**Analysis of Criterion #1:**

As shown in **Figure 2**, SM-MUSD has a current enrollment of 8,641 students and has experienced a 20% decline in enrollment over the past 8 years. It is projected that this declining enrollment trend will continue into the future as the student cohorts in the lower grades are smaller than the student cohort in the upper grades, which results in a decline in enrollment.

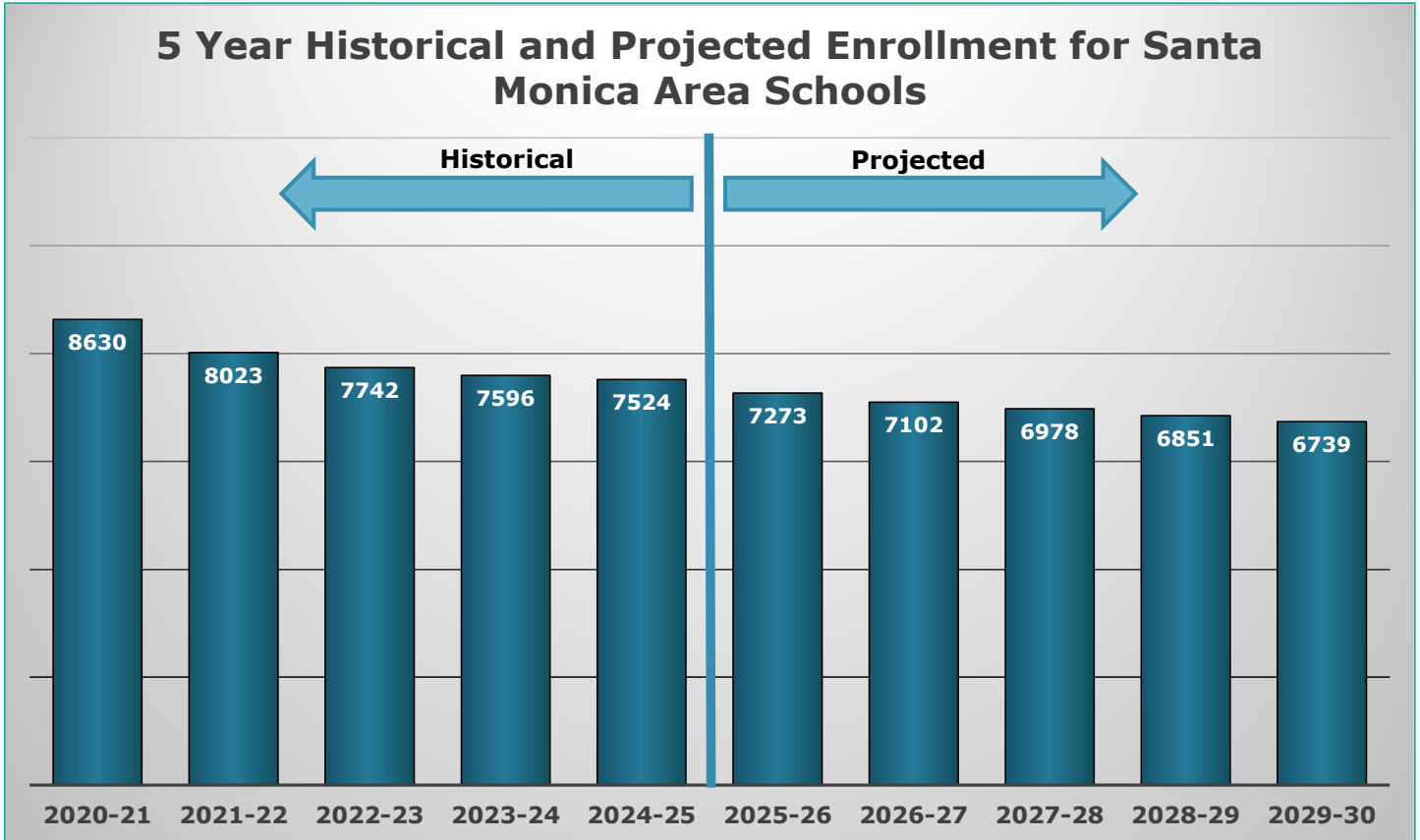
**FIGURE 2**



Source: California Department of Education, Dataquest, "District Enrollment by Grade (with School Data)" for enrollment data from 2015-16 through 2023-24. SM-MUSD for enrollment data for 2024-25.

If the proposed reorganization occurs, enrollment in the remaining SMUSD would exceed the minimum 1,501 standard, with a current enrollment of 7,524 at the twelve schools located in Santa Monica. Although enrollment is projected to continue to decline, SMUSD would remain above the 1,501 standard, as shown in **Figure 3**.

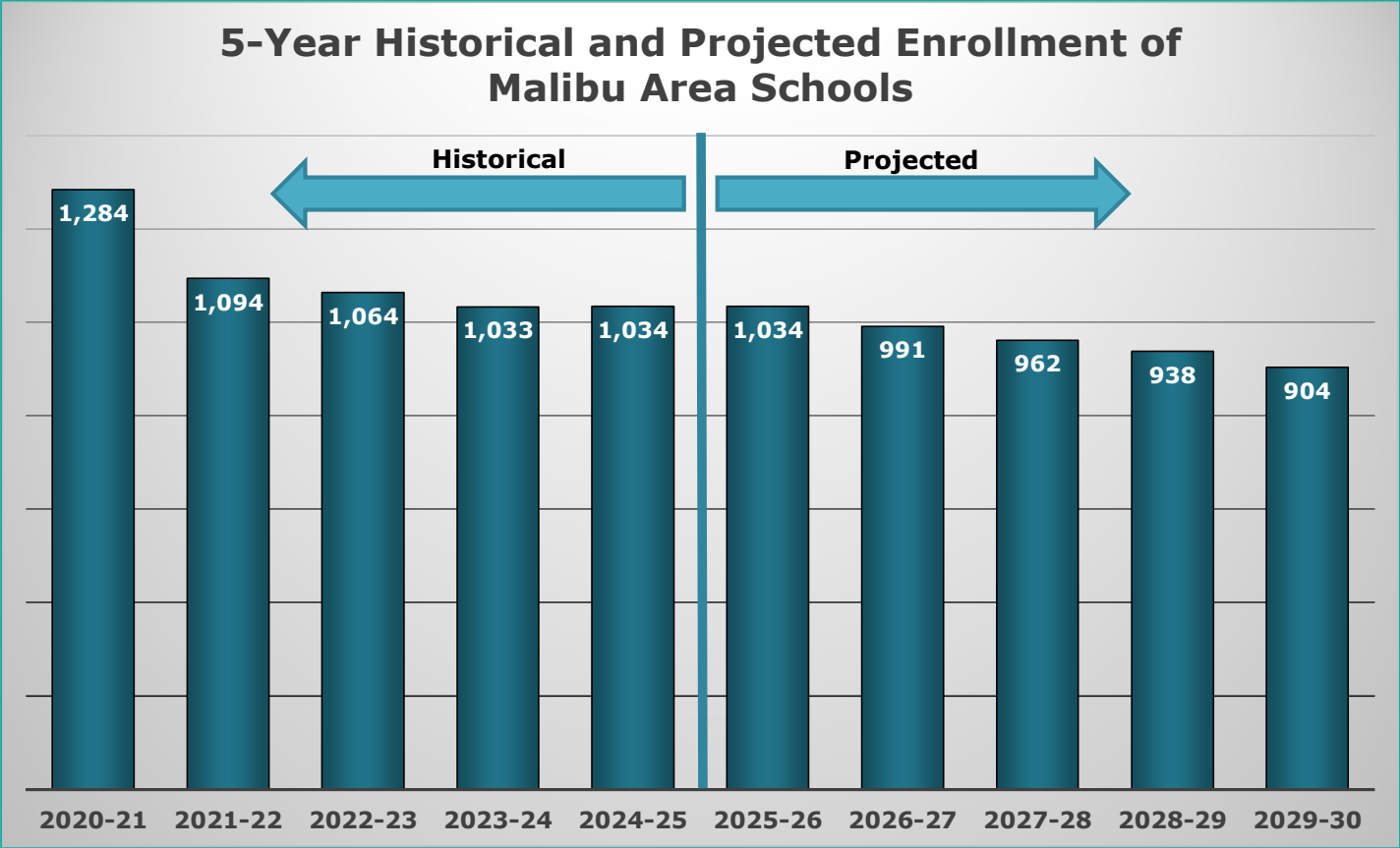
**FIGURE 3**



Source: California Department of Education, Dataquest, "District Enrollment by Grade (with School Data)" for enrollment data from 2020-21 through 2023-24. SM-MUSD for enrollment data for 2024-25.

If the proposed reorganization occurs, the enrollment in the new MUSD would not likely exceed the minimum 1,501 standard, with a current enrollment of 1,034 at the four schools located in the Malibu area. Enrollment remained essentially the same between 2023-24 and 2024-25. However, based on the cohort survival enrollment projection methodology, enrollment is projected to decline in the Malibu area, as shown in **Figure 4**.

**FIGURE 4**



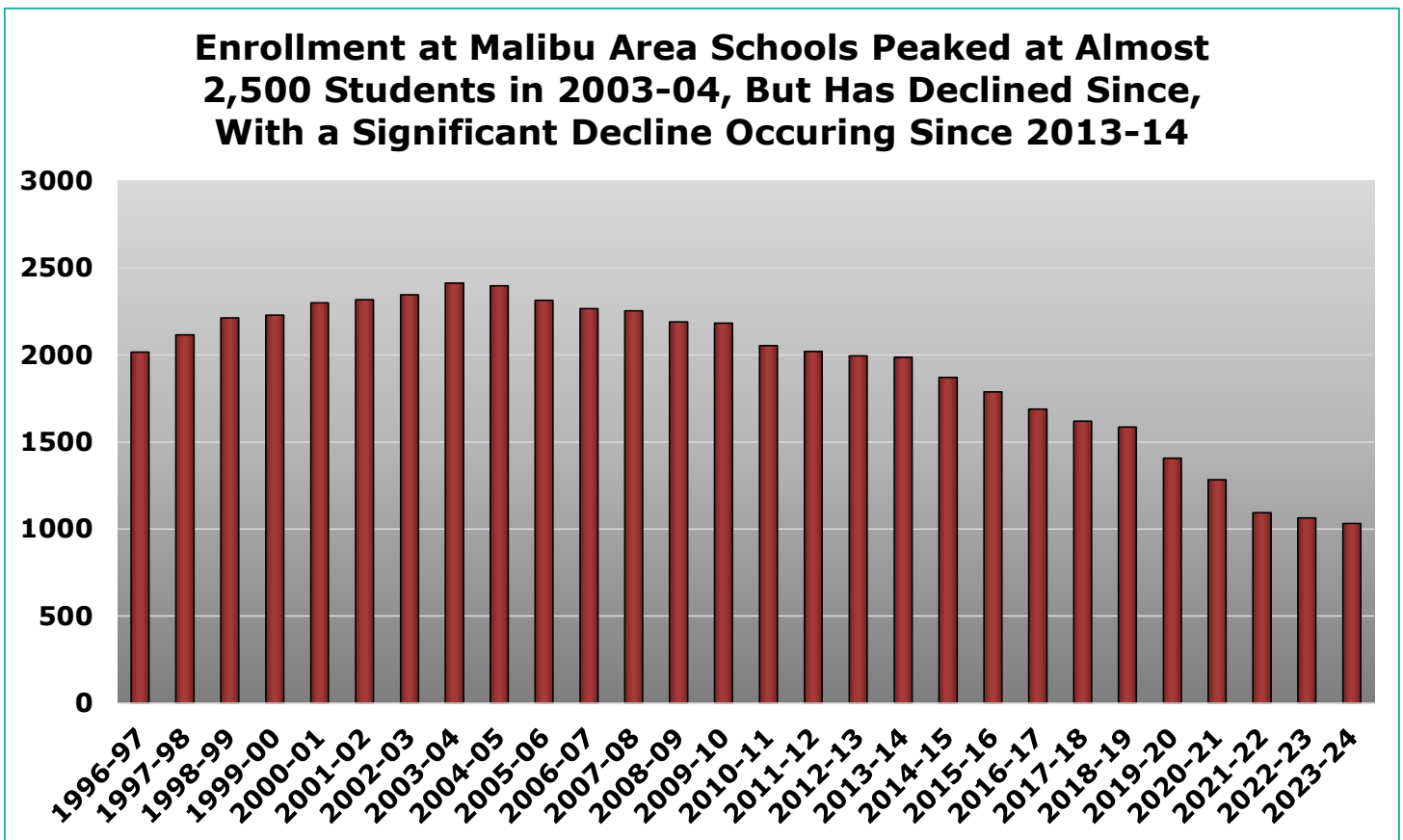
Source: California Department of Education, Dataquest, "District Enrollment by Grade (with School Data)" for enrollment data from 2020-21 through 2023-24. SM-MUSD for enrollment data for 2024-25.

## **Understanding the Enrollment Loss in the Malibu Area**

Since 1995-96, when Malibu High School began to serve students through 12th grade, the community was able to support almost 2,500 students, as shown in **Figure 5**. But several factors have led to the more recent decline in the Malibu area student population, including:

- Declining population in both the Malibu area as well as Los Angeles County and California as a whole
- Loss of almost 900 homes from the Woolsey Fire in 2018
- Affordability of housing for families in the Malibu area
- Utilization of residential units as second homes or vacation rentals instead of primary residences
- Dissatisfaction with SM-MUSD policies and practices, specifically SM-MUSD’s response to PCBs found in Malibu schools, educational program offerings, and financial mismanagement.

**FIGURE 5**



Source: California Department of Education, DataQuest.

**City of Malibu Population Decline.** Both California, as a whole, and Los Angeles County are experiencing a population decline due to fewer births, less immigration, and pandemic deaths, according to the California Department of Finance. The City of Malibu is also seeing a population decline due to the above listed factors, along with family displacement due to the Woolsey Fire, the high cost of housing, and the use of residential units as second homes or vacation rentals instead of primary residences.

According to the United States Census Bureau "Quick Facts," **the City of Malibu population declined by 15% between 2010 and 2020. However, during that same time frame, the student population in the Malibu area declined by over 40%.** Therefore, it is reasonable to conclude that the population loss in Malibu is only a portion of the driving force behind the significant enrollment decline in Malibu area schools. Hence, the loss of residents due to the Woolsey Fire in 2018 can also explain the population loss in Malibu.

The Woolsey Fire was the largest fire in Los Angeles County history and the most disastrous event ever in Malibu. In one week, the fire burned approximately 90,000 acres throughout the Santa Monica Mountains area and destroyed 488 single-family homes in Malibu and 397 homes within the unincorporated area of Los Angeles County right outside the City limits—all part of the Malibu area to be reorganized out of the existing SM-MUSD boundaries. In total, an estimated 1,075 homes were lost from the Woolsey Fire, 885 of which were within the greater Malibu area. The Malibu community is continuing to rebuild; it is expected that many residents displaced by the Woolsey Fire will return to the Malibu community, bringing back families and students to the schools. For the purposes of this Feasibility Study, no adjustments have been made to account for students returning after rebuilding caused by the Woolsey Fire, but it is an important consideration for the County Committee when evaluating the future student enrollment of Malibu area schools.

**City Council Policy Development to Bring Families Back to Malibu.** Housing affordability is another likely factor contributing to the loss of enrollment in Malibu area schools. Especially in coastal cities, housing that is available to low- and moderate-income families is hard to come by. As such, families with school-aged children may not have the means to live in Malibu, thus contributing to the student enrollment decline.

Recognizing the need to encourage families to move back to the area, the Malibu City Council has been active in setting policies to create affordable housing. On January 10, 2022, the Malibu City Council held a public hearing on a draft of the General Plan Housing Element Update that establishes and implements specific goals, policies, and objectives relative to the provision of housing for all income levels. The City Council adopted the Update.

To further demonstrate the City Council's policy to encourage the development of affordable housing, in November of 2021, the City executed an \$18 million agreement with the California Department of Housing and Community Development to help fund multi-family housing projects that meet federal objectives for increasing available low- and moderate-income housing.

Additionally, the City Council has developed significant regulations for short-term rentals in part to increase the availability of housing available to residents. In November 2020, the City Council adopted an ordinance to establish provisions to regulate short-term rentals including a primary residency requirement which went into effect on January 15, 2021.

These active changes to affordable housing and short-term rental policies are aimed at increasing the number of families and permanent residents within Malibu, likely resulting in an increase in the student population. For the purposes of this Feasibility Study, no adjustments have been made to account for recent changes to City housing policies, but it is an important consideration for the County Committee when evaluating the future student enrollment of Malibu area schools.

**Dissatisfaction with SM-MUSD.** Finally, another driving force behind the student population decline in the Malibu area is a community-wide dissatisfaction with the policies and decision-making of the Santa Monica-focused governance and leadership of SM-MUSD. As a result, dissatisfied Malibu families have had to abandon public schools and instead enroll in private and charter schools.

As a Basic Aid district, SM-MUSD does not have any incentive to address the decline in enrollment in Malibu schools because it will continue to receive the same amount of property taxes from Malibu regardless of enrollment. Further, the significant enrollment loss in the Malibu area is only a small portion of the overall SM-MUSD enrollment. It does not rise to a level of concern for the SM-MUSD leadership. Without action from the County Committee to enable the creation of a new MUSD, this enrollment crisis will continue. For the purposes of this Feasibility Study, no adjustments have been made to account for the expected increase in enrollment when dissatisfied parents who have opted for private and charter schools return to the new MUSD, but it is an important consideration for the County Committee when evaluating the future student enrollment of Malibu area schools.

### **Intent of Feasibility Criterion #1**

Education Code section 35753(a)(1) does not specify what is meant by “adequate in terms of the number of pupils enrolled.” However, pursuant to the statutory mandate, the State Board adopted regulations to serve as guidelines for determining whether each district affected by the proposed reorganization complies with each criterion. As to the enrollment criteria, the adopted regulations indicate each district affected should have a projected enrollment number as of the effective date of the reorganization. Specifically, a unified district shall have a projected enrollment of 1,501. The guidelines also clearly state the intent behind the enrollment criterion is to avoid establishing direct service districts that become more dependent upon county offices of education and state support.

Furthermore, the California Department of Education (CDE) states in their School District Organization Handbook (see **Figure 6** for a screenshot of Chapter 6, page 10 of the CDE Handbook) that in sparsely populated areas, it is often difficult to meet the enrollment thresholds, and the State Board of Education has considered facts such as distance, weather conditions, geography, and topography in deciding “whether to waive the size condition.”

**FIGURE 6**

audit reports completed by independent auditors.

### **C. Exceptional Situations**

In considering proposals for unification, the State Board of Education must determine whether the conditions in *EC* Section 35753(a) are substantially met. However, subdivision (b) of that section of the law also gives the State Board of Education the authority to depart from the conditions under certain conditions. Specifically, the board may determine that it is not practical to apply the conditions literally and that an exceptional situation exists that warrants approval of the proposal.

*CCR*, Title 5, Section 18573, states that the minimum size for a unified school district is supposed to be 1,501 students. In sparsely populated areas, however, it is often difficult to reach that number of students. The State Board of Education has considered such factors as distance, weather conditions, geography, and topography in deciding whether to waive the size condition.

### **D. Comparison of Statutory and Regulatory Requirements**

*Source: California Department of Education School District Organization Handbook, Chapter 6, Page 10.*

In *Fullerton Joint Union High School Dist. v. State Board of Education*, the State Board of Education and the county committee found the district substantially met criterion one concerning adequate enrollment when the projected enrollment fell far below the guideline threshold. It was explained that “[a]lthough the projected enrollment is less than specified in the guidelines... the relatively low enrollment should not deprive ...area residents of the opportunity to form a unified school district.” Fullerton JUHSD had a projected enrollment of approximately 3,100 when, at that time, the guidelines set minimum enrollment at 5,000, roughly a 40% deficit. The Supreme Court of California reinforced the State Board of Education’s determination that the Fullerton JUHSD substantially met the enrollment criteria despite a proposed enrollment deficiency.

The projected student enrollment of SMUSD will remain above the 1,501-student threshold, meeting this criterion. The projected student enrollment of MUSD is approximately 1,000, roughly a 33% deficit to the current 1,501 enrollment threshold. More significantly and directly on point with the express intent of the law, the proposed MUSD would operate as a basic aid district and have sufficient funding to not depend on the County Office of Education or the State for administrative or financial support.

The slight enrollment deficit of the proposed MUSD, which is less than what was found to substantially meet this criterion in *Fullerton*, in conjunction with its financial self-sufficiency as a basic aid district, should be sufficient to show it substantially meets the intent explicitly identified in 5 *CCR* § 18573(a)(1) as to Criteria #1. Furthermore, when other factors (acknowledged by both CDE and SBE), such as but not limited to Malibu’s distance from the rest of SM-MUSD, its unique geographical location, and its overall low-density population are included in the determination, there is significant evidence to show MUSD substantially meets Criterion #1. Therefore, the somewhat low enrollment should not deprive Malibu residents of the opportunity to form MUSD.

#### **Ability to Meet Feasibility Criterion #1:**

The proposed SMUSD’s enrollment is projected to be significantly above the 1,501 student threshold. Although the proposed MUSD would not specifically meet the enrollment threshold set forth in Criterion #1, with its anticipated high per pupil funding amount, the lower enrollment will not result

in a dependence on the county office of education or the State. Therefore, it is reasonable to expect that Criterion #1 can be substantially met based on the legislative intent stated in the CCR.



## CRITERION #2: COMMUNITY IDENTITY

### **Education Code Section 35753(a)(2):**

The districts are each organized on the basis of a substantial community identity.

### **California Code of Regulations, Title 5, Section 18573(a)(2):**

To determine whether the new district is organized on the basis of substantial community identity, the State Board of Education will consider the following criteria:

- Isolation
- Geography
- Distance between social centers
- Distance between school centers
- Topography
- Weather
- Community, school, and social ties, and other circumstances distinctive about the area.

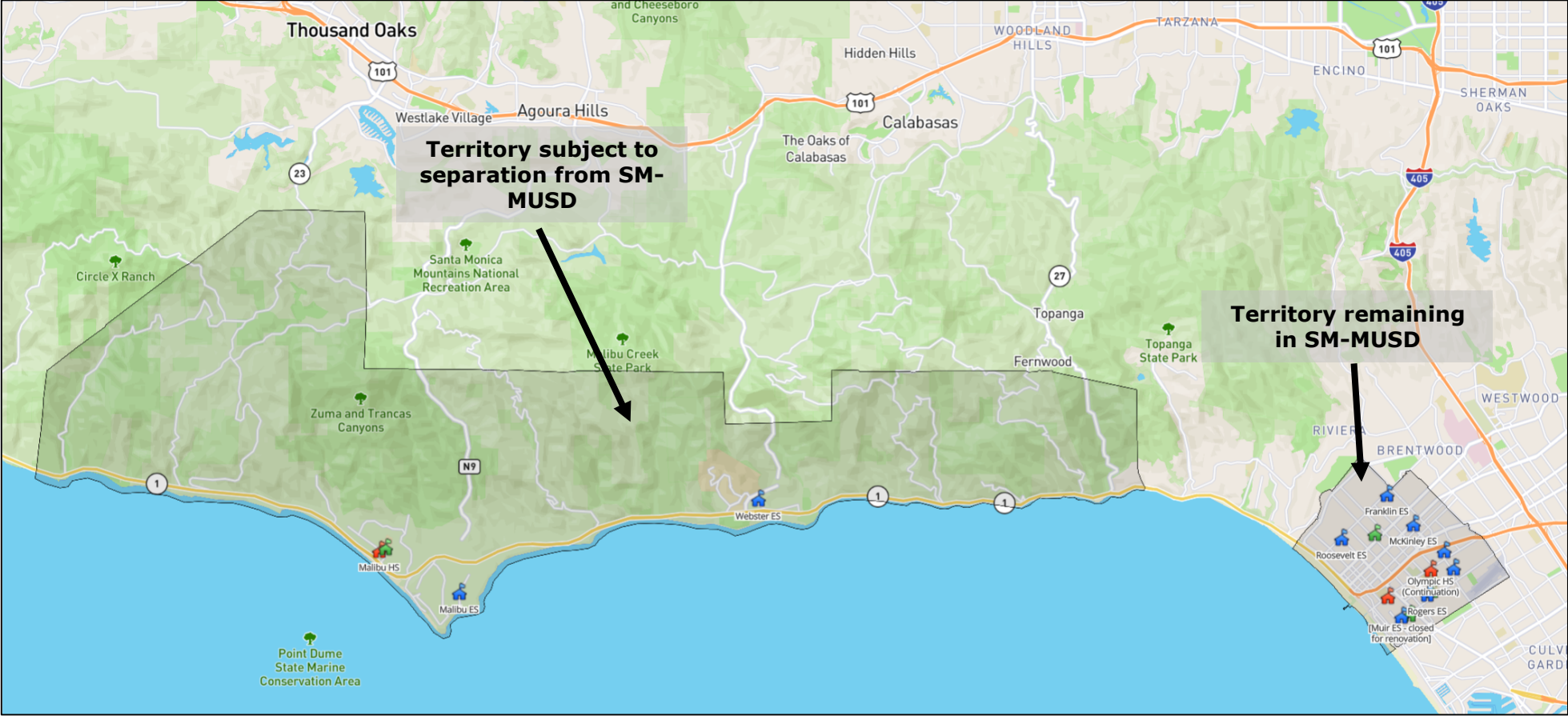
### **CDE Handbook on Community Identity:**

In addition to the Education Code and CCR, the CDE Handbook further expands on how this criterion should be evaluated to determine whether a proposed reorganization meets the community identity criterion. These indicators include: “types of housing, park and recreation facilities and programs, sports activities, transportation patterns, geopolitical factors, and shopping patterns.”

### **Key Findings:**

- Santa Monica and Malibu are two geographically distinct communities with their own character and identity as exemplified in the results of a community identity survey.
- There is a strong community identity **within** the Malibu geography of the District.
  - Malibu residents have similar shopping and traffic patterns, share a similar opinion on the strengths and weaknesses of the Malibu community, and demonstrate strong social ties within the Malibu area.
  - Further, the Malibu residents see their community as rural with a distinct housing type.
- Similarly, there is a strong community identity **within** the Santa Monica geography of the District.
  - There are similarities among the various Santa Monica communities with regards to shopping patterns, traffic, recreation, and social centers.
  - Santa Monica residents see their community as urban with housing becoming more high-density since the City is completely built-out.
- School-site attendance boundaries and pathways would not change as a result of this proposed reorganization, keeping existing school communities intact.

**FIGURE 7  
EXISTING SM-MUSD BOUNDARIES**

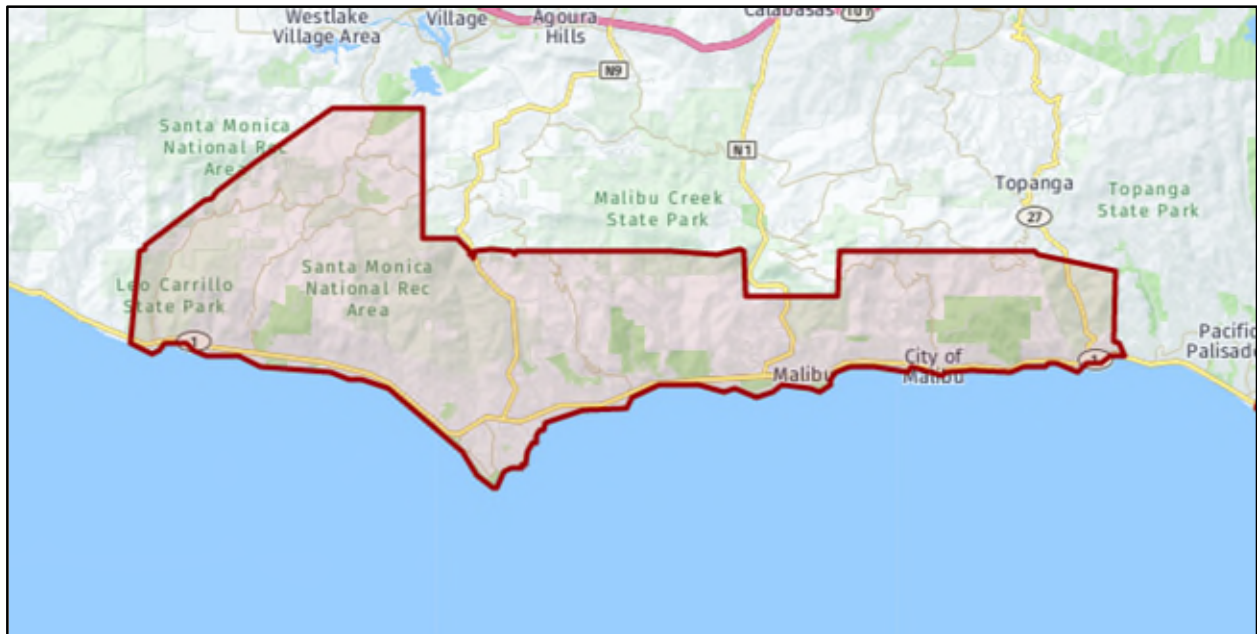


**Analysis of Criterion #2:**

The petition submitted by the City of Malibu is for the formation of a new MUSD. The boundary for the proposed MUSD would encompass the entire City of Malibu and would include portions of neighboring unincorporated Los Angeles County, as shown in **Figure 8**. The area is **not contiguous** with the remainder of SMUSD, as shown in **Figure 7**.

The City of Malibu is a rural community located on the edge of Los Angeles County on the coastline, bordered by the Cities of Los Angeles and Pacific Palisades and unincorporated land within the County of Los Angeles. Malibu is approximately 20 square miles and has a low population density; residents are within several miles of schools, shopping, parks, and major transportation routes.

**FIGURE 8  
MUSD PROPOSED BOUNDARIES**



Similarly, with the proposed reorganization, the new SMUSD’s boundaries would encompass the entire City of Santa Monica, as shown in **Figure 9**. The City of Santa Monica is a densely populated urban area that is approximately 8.5 square miles of land located on the western edge of the County of Los Angeles. Residents of Santa Monica are within a few miles of schools, shopping, parks, and major transportation routes.

**FIGURE 9**  
**SMUSD PROPOSED BOUNDARIES**



When Malibu and Santa Monica were joined together more than 70 years ago, it was a matter of convenience due to the rural and minimal population of the Malibu area. But over time, both communities have grown and changed in dramatically different ways. The synergies that were once present are simply non-existent today.

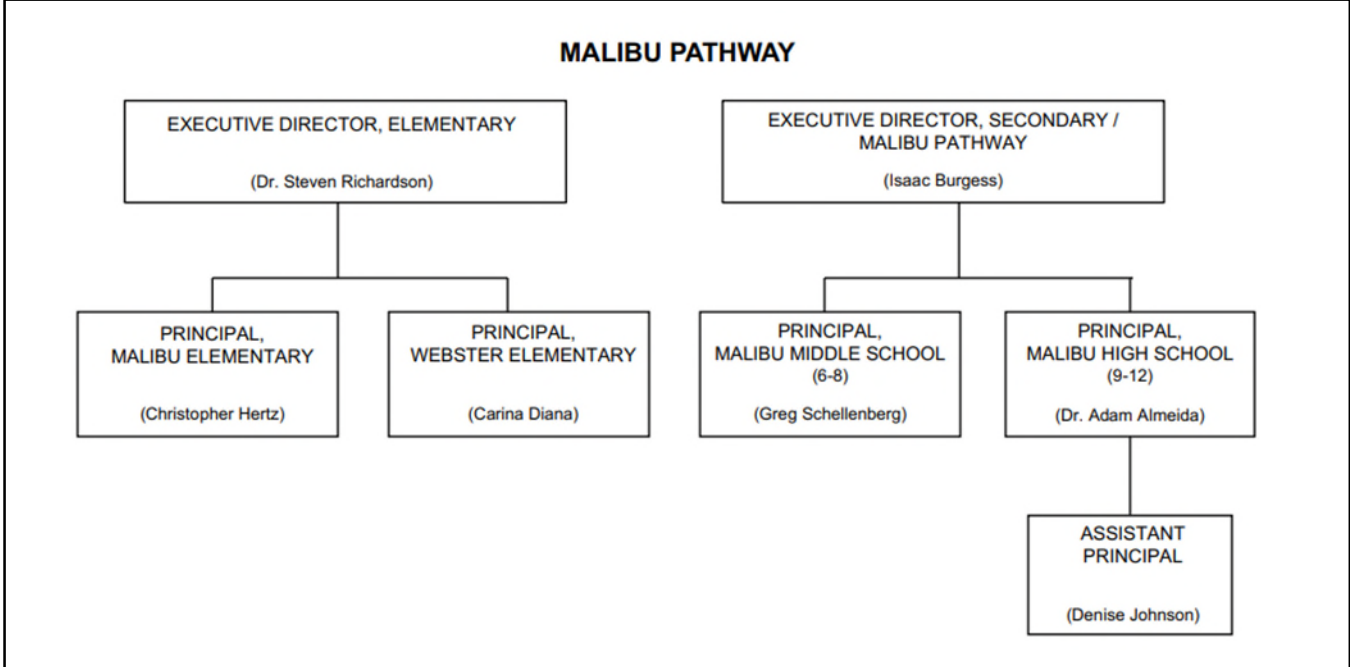
As stated in the City of Malibu Vision Statement:

“Malibu is a unique land and marine environment and residential community whose citizens have historically evidenced a commitment to sacrifice urban and suburban conveniences in order to protect that environment and lifestyle, and to preserve unaltered natural resources and rural characteristics. The people of Malibu are a responsible custodian of the area’s natural resources for present and future generations.”

This is in stark contrast to Santa Monica, an urban city focused on attracting businesses and tourists to bolster the local economy.

The two communities operate completely separately from each other, even in the school system. SM-MUSD has created three pathways for students – John Adams Pathway, Lincoln Pathway, and Malibu Pathway – based on the school site attendance boundaries for elementary schools and middle schools. As shown in the organization chart for the Malibu Pathway (**Figure 10**), the Malibu schools operate completely independently from any Santa Monica schools. Students living in Malibu do not typically attend schools or activities in Santa Monica due to driving distance and hazards of Pacific Coast Highway (PCH) nor do students in Santa Monica attend schools or activities in Malibu.

**FIGURE 10**



Source: Santa Monica-Malibu Unified School District, Organization Charts, page 24, November 2024.

**Community Identity Survey**

The City of Malibu feels instinctively that an independent MUSD should be formed on the basis of a substantial community identity, as required by the Education Code. Yet, to document this for the County Committee, the City of Malibu engaged FM3 Research (a firm specializing in researching issues related to public agencies through written surveys, focus groups, and one-on-one interviews) to better understand the sentiment of both Malibu and Santa Monica residents on this matter. The lead consultant from FM3 Research, Dr. Richard Bernard, is one of California’s foremost public opinion researchers and has extensive experience examining resident satisfaction with local government services, as well as branding and marketing research for public agencies.

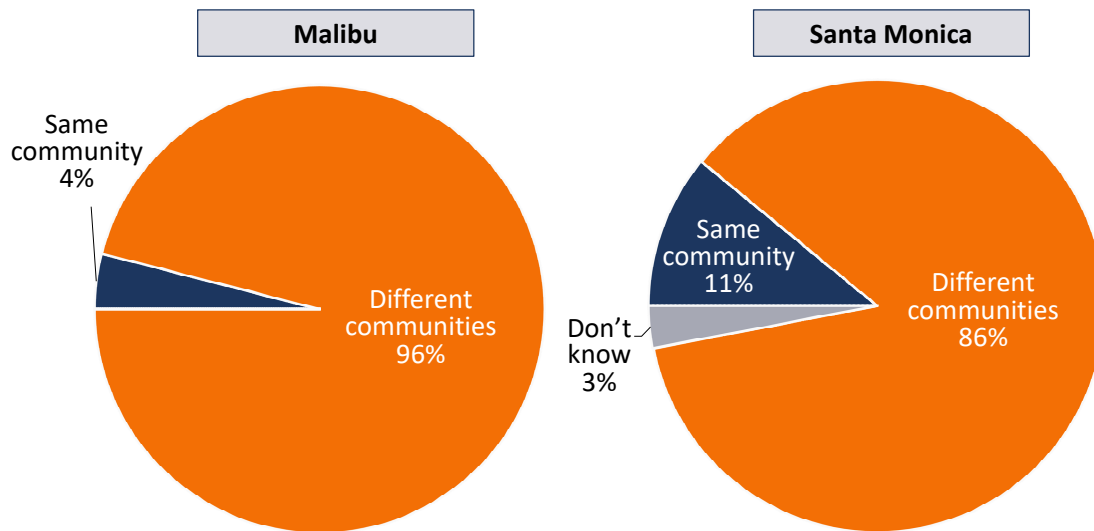
Through the expertise of Dr. Bernard and FM3 Research, the City conducted a community identity survey to obtain qualitative data from residents in both Malibu and Santa Monica related to how residents view their own community and whether they have a direct community association with the other community. The online survey gathered data from a random sample of 100 Malibu registered voters and 300 Santa Monica registered voters. The survey addressed the indicators specifically

identified in the CCR and the CDE Handbook related to Criterion #2. The results of the survey will be included in the discussion below on each of the CDE identified indicators.

**Distinct Communities.** Overall, survey respondents overwhelmingly see Malibu and Santa Monica as different communities, with 96% of Malibu residents and 86% of Santa Monica residents seeing the communities as being different (**Figure 11**).

**FIGURE 11**  
**Respondents overwhelmingly see Malibu and Santa Monica as different communities.**

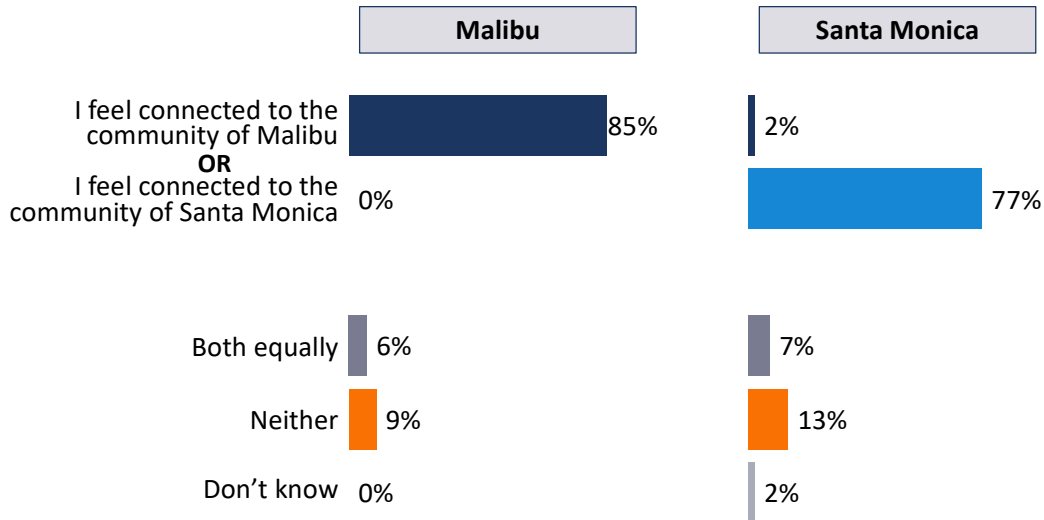
*Do you consider (the City of Santa Monica and the City of Malibu/the City of Malibu and the City of Santa Monica) to be part of one community or different communities?*



Expanding on the sentiment of residents of each city, respondents were asked whether they feel connected to Malibu or Santa Monica. The survey demonstrated that most respondents feel connected to the community in which they reside. (**Figure 12**)

**FIGURE 12**

**Most respondents feel connected to the community in which they reside.**

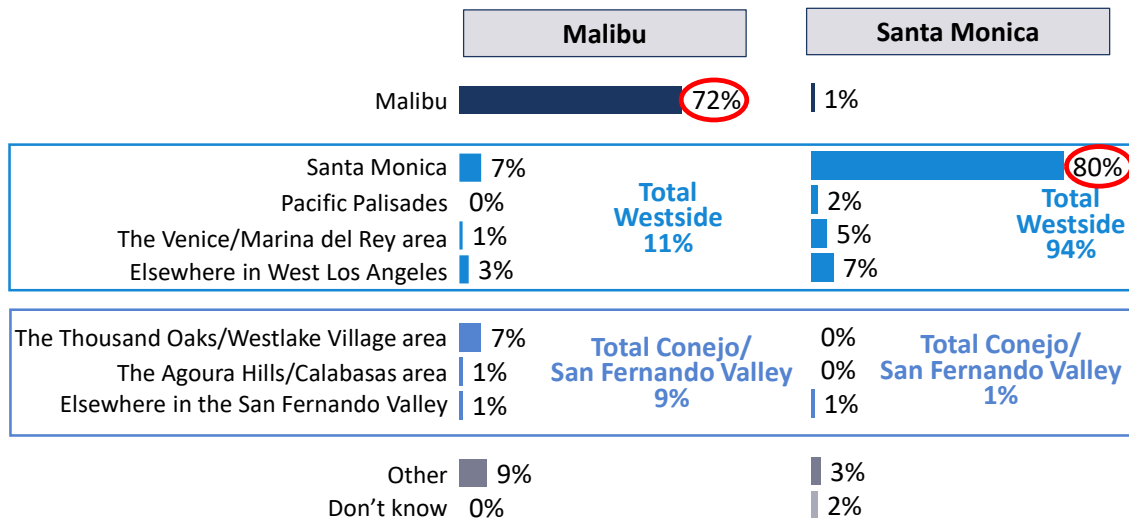


When considering where respondents spend most of their free time, Malibu and Santa Monica residents primarily socialize in their own cities. (**Figure 13**) Residents very rarely socialize in the other city, again demonstrating that there is little commonality between the two communities.

**FIGURE 13**

**Malibu and Santa Monica respondents primarily socialize in their own cities; virtually none of the Santa Monica respondents do so in Malibu.**

*Where would you say most of your social life takes place?*



**Dissimilar Housing and Development.** According to the CDE Handbook, “similarity of architecture, size, and style of homes can create a sense of community identity.” As described in the City of Malibu’s General Plan Housing Element, Malibu is primarily a residential community consisting of

beachfront residential lots and large lots in the hillsides and canyons overlooking the ocean. Some multi-family development and neighborhood/visitor-service commercial development is located in the flatter portions of the City along PCH. The City has a highly scenic rural character that it passionately endeavors to preserve. Development within the City is constrained by numerous land features including steep slopes, environmentally sensitive habitat areas, geologic instability, flood hazards, and extreme wildfire hazards. Because of these constraints, a large portion of the City remains undeveloped and rural in character. Growth is also limited by the lack of a centralized sewer system.

The City of Malibu is comprised of nearly 20 square miles with 10,600 residents. This equates to 530 people per square mile, a relatively low population density. As shown in **Figure 14**, beyond the large and high-value beachfront homes that many believe make up Malibu, most Malibu neighborhoods are rustic chaparral with homes built within the canyons. Homes are located quite a distance from the many conveniences that residents in more suburban and urban communities expect.

**FIGURE 14**



In contrast, the City of Santa Monica’s General Plan Housing Element describes Santa Monica as a community with rapid growth spurred by industry. By the mid-1960s, most land in Santa Monica was developed, but growth has continued to occur in the City due to “recycling lower-intensity land uses to higher-density uses.” The City of Santa Monica estimates a current housing stock of 52,269 units within the 8.3 square miles of land within the City. With 93,000 residents, which equates to 11,200 people per square mile, one of the most densely populated urban areas in the State. **Figure 15** provides images of typical Santa Monica neighborhoods.



**FIGURE 15**



The City of Santa Monica is finding itself in the midst of overcrowding due to the high cost of housing and number of local businesses and jobs. In order to live in Santa Monica, near employment centers, more people are occupying residences than such housing was built for, with more than one person per room. According to the City's General Plan, approximately 80,000 non-resident workers commute into Santa Monica. As shown in **Figure 16**, Santa Monica also has a vibrant downtown with several businesses and nightlife. This is simply not present in Malibu.

**FIGURE 16**

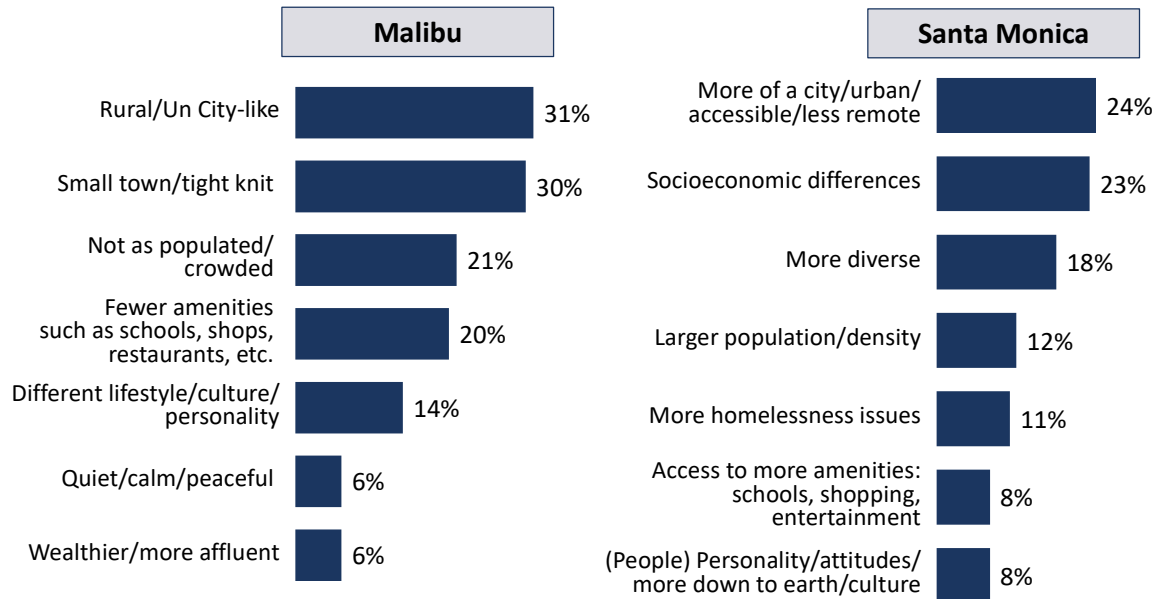


**Different Community Characteristics.** Residents surveyed agree that Malibu and Santa Monica differ as communities in their rural/small town versus urban/city feel (**Figure 17**). Respondents see Malibu as a rural community with a small town/tight-knit feel. The Malibu area has fewer amenities and a different lifestyle, culture, and personality than the larger and denser Santa Monica. Respondents feel that Santa Monica has more socioeconomic differences from Malibu with its urban and more accessible location. They also believe Santa Monica to be more diverse with a larger population density facing challenges such as homelessness.

FIGURE 17

**Most respondents say that Malibu and Santa Monica differ as communities in their rural/small town versus urban/City feel.**

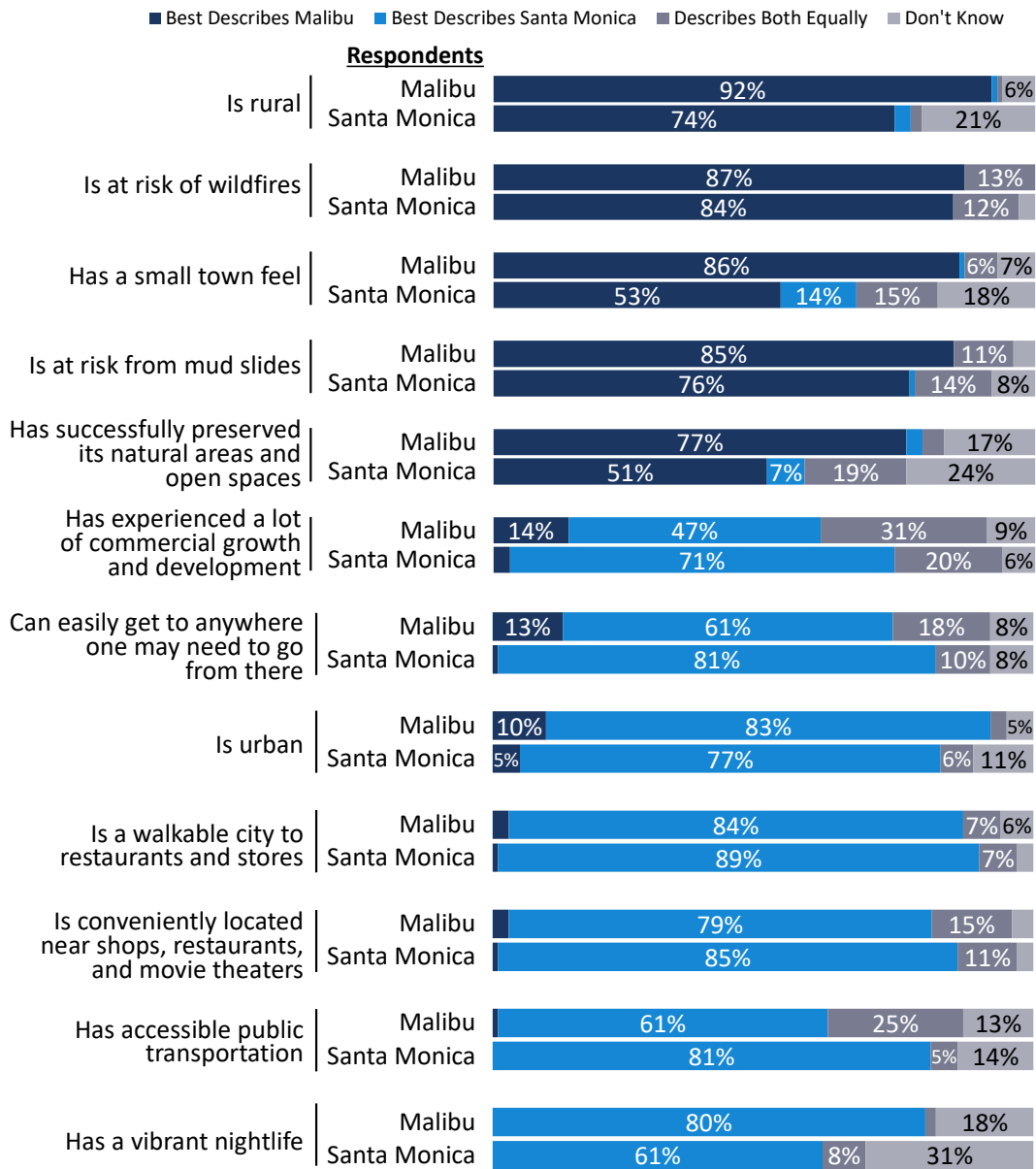
*(Open-Ended Question; Responses Grouped; Top Responses Shown)*



Respondents overwhelmingly associate different traits with Malibu and Santa Monica identifying risk of wildfire and mud slides in Malibu, and identifying commercial growth and development as well as convenience and accessibility in Santa Monica. **(Figure 18)**

**FIGURE 18**

**Respondents overwhelmingly associate different traits with Malibu and Santa Monica.**



The responses to the survey demonstrate the stark differences between Malibu and Santa Monica, but also show that each community is united in how it sees its own area. This demonstrates the strong community identity within the Malibu area separate from the community identity of the Santa Monica area.

**Park and Recreation Facility and Programs and Sports Activities.** According to the CDE Handbook, “the usage patterns of parks and school facilities for recreation programs and sports activities for youth can indicate a community identity.” Residents in Malibu use their area facilities for recreation and sports activities while Santa Monica residents use their area facilities. There is

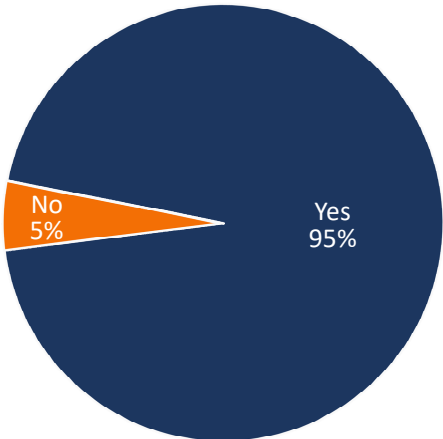
almost no crossover utilization of recreational facilities in the other community. Nearly all Santa Monica respondents with children in organized recreational sports say their children practice in Santa Monica, and of the 5% that do not practice in Santa Monica, 0% indicated that they practice in Malibu. (**Figure 19**)

**FIGURE 19**

**Nearly all Santa Monica respondents with children in organized recreational sports say their children practice in Santa Monica.**

*Would you say your child or children primarily have **practice** for their organized recreational youth sports in Santa Monica?*

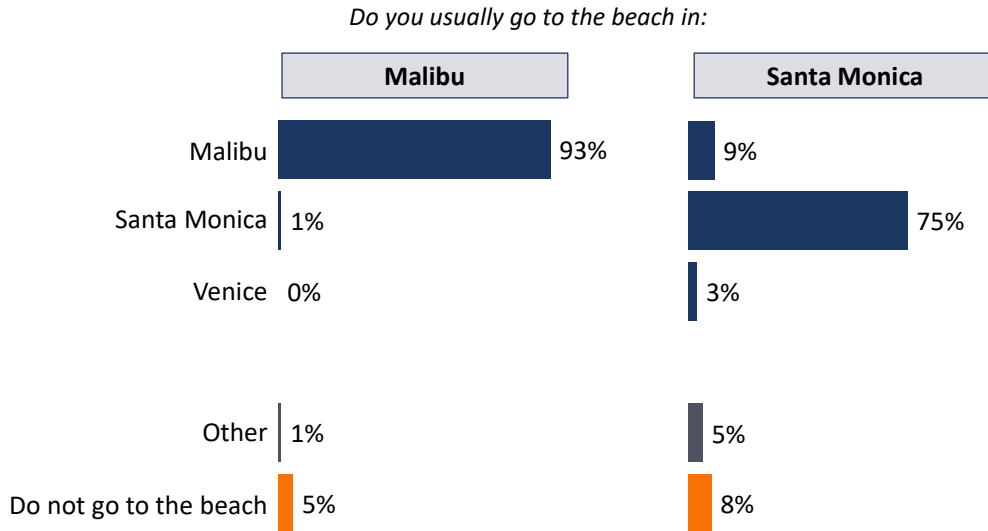
*(Asked Only of Those Who With Children Under 19 Who Participate in Organized Recreational Youth Sports)  
(Santa Monica Respondents Shown, n=22)*



This same community separation holds true with other types of recreation, including going to the beach. Over 9 in 10 Malibu respondents usually go to the beach in Malibu and 3 out of 4 Santa Monica respondents usually do so in their own city. (**Figure 20**)

FIGURE 20

**Over 9 in 10 Malibu respondents usually go to the beach in Malibu; 3 out of 4 Santa Monica respondents usually do so in their own city.**



These communities simply operate separately when it comes to youth sports and recreation although each community has its own strong community identity for recreation and youth sports.

**Transportation Patterns.** The CDE Handbook indicates that “traffic patterns and public transportation systems and routes may have an impact on community identity.” To get a better idea of the roads traveled by Malibu residents as compared to Santa Monica residents, FM3 Research asked respondents how often they used various roads, highways, or freeways located in and around both Malibu and Santa Monica.

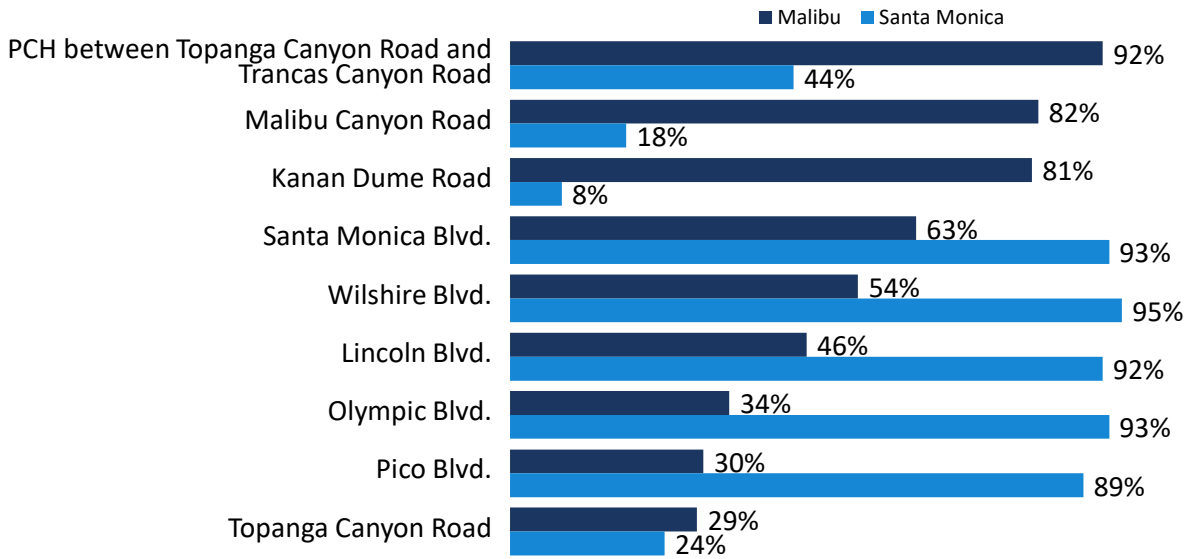
There is a clear difference in the roads Malibu and Santa Monica respondents use in their daily lives, as expected due to the distance between these two cities. (**Figure 21**) Malibu residents predominately travel on PCH, between Topanga Canyon Road and Trancas Canyon Road, on Malibu Canyon Road, and on Kanan Dume Road. Santa Monica residents predominately travel on Santa Monica Boulevard, Wilshire Boulevard, Lincoln Boulevard, Olympic Boulevard, and Pico Boulevard. Most notably, neither Malibu nor Santa Monica share any of these streets in common.

FIGURE 21

**There is a clear difference in the roads Malibu and Santa Monica respondents use in their daily lives.**

*In your daily life, how often do you use the following roads, highways, or freeways?  
Do you use them often, sometimes, rarely, or never?*

*(Ranked by Total Often/Sometimes by Malibu Respondents)*



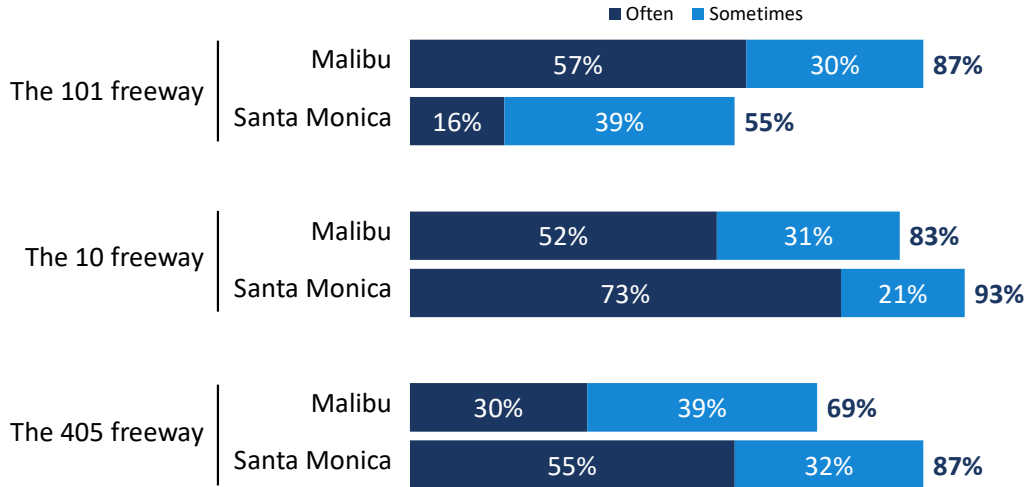
In addition to their divergent local street patterns, these two communities likewise use different highways/freeways in their daily lives. (**Figure 22**) This further demonstrates the separation between Malibu and Santa Monica. Malibu respondents are far more likely to use the 101 Freeway than Santa Monica respondents. Santa Monica respondents use the 10 and 405 Freeways more often.

**FIGURE 22**

**Malibu respondents are far more likely to use the 101 Freeway than are Santa Monica respondents; Santa Monica respondents use the 10 and 405 more often.**

*In your daily life, how often do you use the following roads, highways, or freeways?  
Do you use them often, sometimes, rarely, or never?*

*(Ranked by Total Often/Sometimes by Malibu Respondents)*



Overall, there are vastly different traffic patterns between the two communities. But there are similarities within each community demonstrating that there are strong community ties within Malibu and within Santa Monica.

**Geopolitical Factors.** The CDE Handbook states that “geopolitical factors such as topography and city council, county supervisor, and special district electoral districts might also create a sense of community among the citizens of an area.” In addition to local governance by two separate city councils, Malibu and Santa Monica have different emergency service providers for both police and fire. Malibu is served by the Los Angeles County Sheriff’s Department and the Los Angeles County Fire Department, while Santa Monica is served by its own police and fire department.

The State and County recently completed redistricting and, as part of that process, identified communities of interest that should be together for the purpose of political representation. The City of Malibu is part of the Las Virgenes-Malibu Council of Governments (COG). The COG includes the cities of Agoura Hills, Calabasas, Hidden Hills, Malibu, and Westlake Village. During the redistricting process, these cities formally submitted letters indicating that they should be in the same Assembly, Senate, and Congressional districts. The COG was formed because these five cities are geographically situated, which allows them to address shared environmental, transportation, and public safety concerns. It is notable that Santa Monica is not included in this COG, further demonstrating the separate community identity of Malibu and Santa Monica.

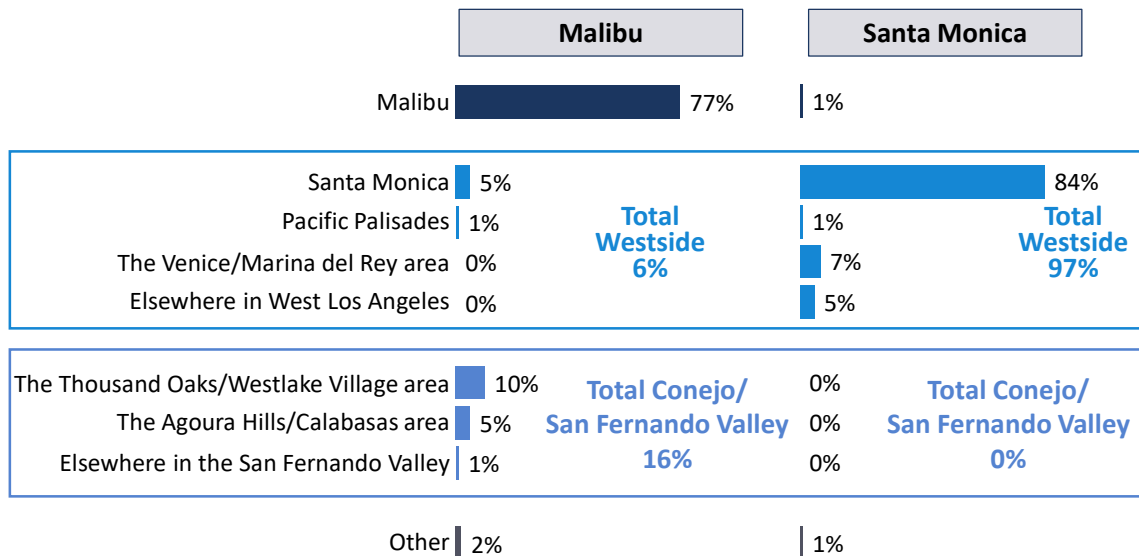
Further, the communities of Malibu and Santa Monica have separate Chambers of Commerce, service clubs, and other organizations. Other than the school district, the two communities do not share other community-based groups or organizations.

**Shopping Patterns.** The CDE Handbook indicates that “neighborhood and regional shopping patterns are often well defined and play a part in the way people see themselves.” As with the other factors considered as part of the determination of community identity, the shopping patterns of Malibu and Santa Monica residents are substantially different.

Residents were surveyed about both their neighborhood and regional shopping patterns. As it relates to grocery shopping, Malibu respondents grocery shop in Malibu or in Conejo/San Fernando Valley, while Santa Monica respondents shop nearly exclusively on the Westside. (**Figure 23**)

**FIGURE 23**  
**Malibu respondents grocery shop in Malibu or in Conejo/San Fernando Valley; Santa Monica respondents nearly exclusively on the Westside.**

*When you go to a market to get groceries, do you usually go to one in:*



When considering larger, more regional retail shopping patterns, residents from Malibu shop in one location and residents in Santa Monica shop in another. This further confirms the strong community identity of each respective community and reinforces that these two areas do not have a common community identity.

Nearly all Malibu residents go to Westlake Village to shop at Costco, while nearly all Santa Monica respondents do so in Marina del Rey. (**Figure 24**) Malibu and Santa Monica residents also go in opposite directions to go to Home Depot or Lowes. (**Figure 25**)

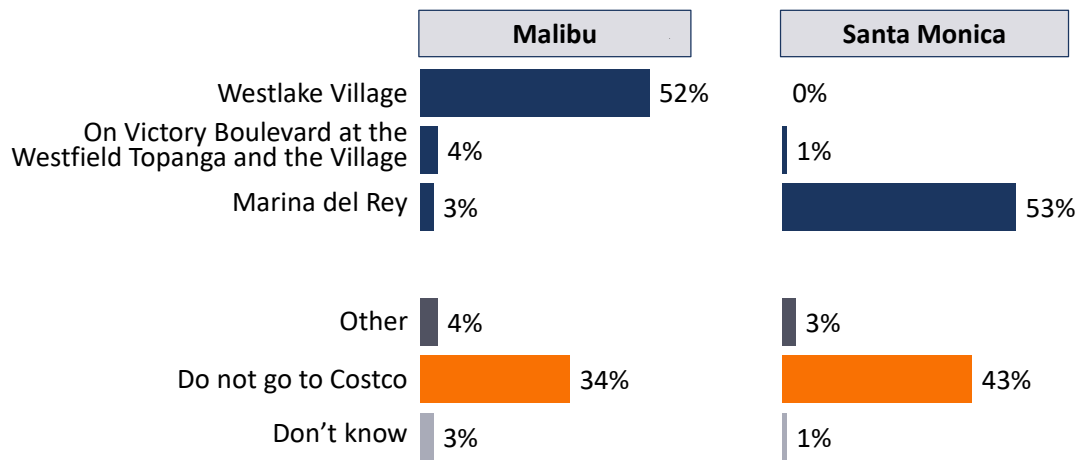


When going to a regional shopping mall, just two in ten Malibu residents usually go retail shopping on the Westside as compared to eight in ten Santa Monica residents (**Figure 26**). When going to a movie theater three out of every four Malibu respondents go to Westlake Village for a movie theater rather than going to Santa Monica or elsewhere on the Westside, despite being of a similar distance. (**Figure 27**)

**FIGURE 24**

**Nearly all Malibu respondents go to Westlake Village to shop at Costco, while nearly all Santa Monica respondents do so in Marina del Rey.**

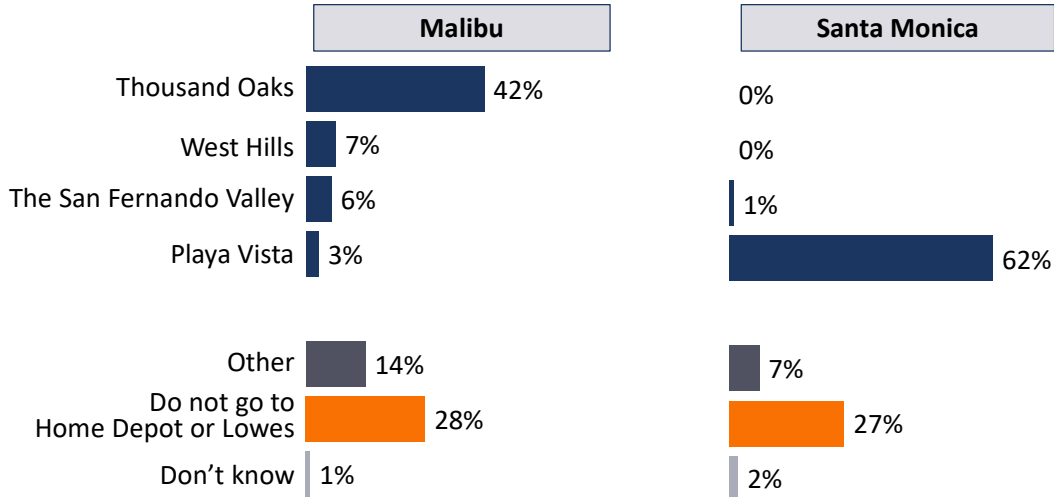
*When you go to Costco, do you usually go to one in:*



**FIGURE 25**

**Malibu and Santa Monica respondents go in opposite directions to visit Home Depot or Lowes.**

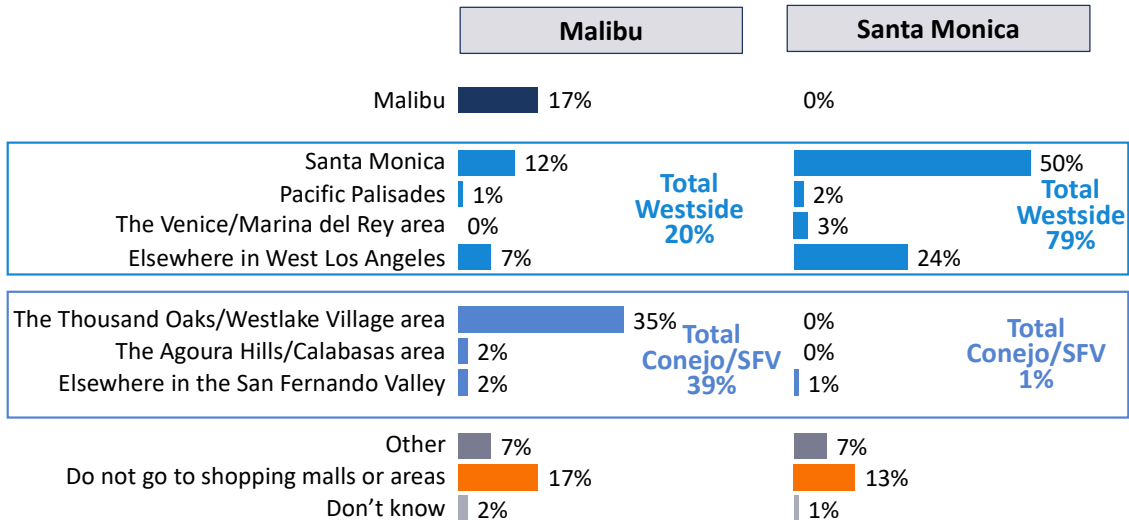
*When you go to Home Depot or Lowes, do you usually go to one in:*



**FIGURE 26**

**Just 2 in 10 Malibu respondents usually go retail shopping on the Westside, compared to 8 in 10 Santa Monica respondents.**

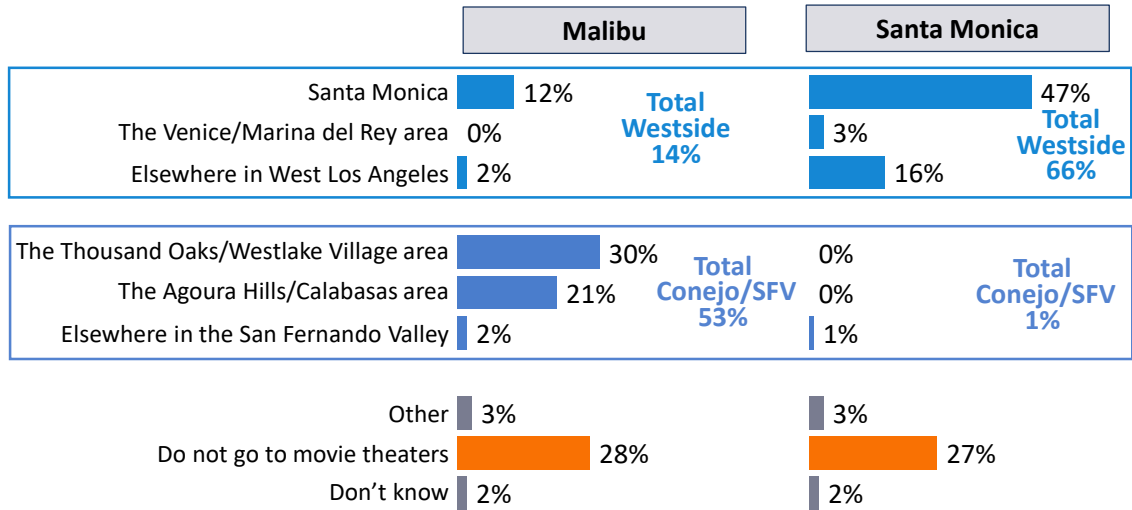
*When you go to a shopping mall or area to shop for clothes or other retail items, do you usually shop in:*



**FIGURE 27**

**3 out of 4 Malibu moviegoers head over the hill for a movie theater rather than going to Santa Monica or elsewhere in the Westside—despite being of a similar distance.**

*When you go to a movie theater, do you usually go to one in:*



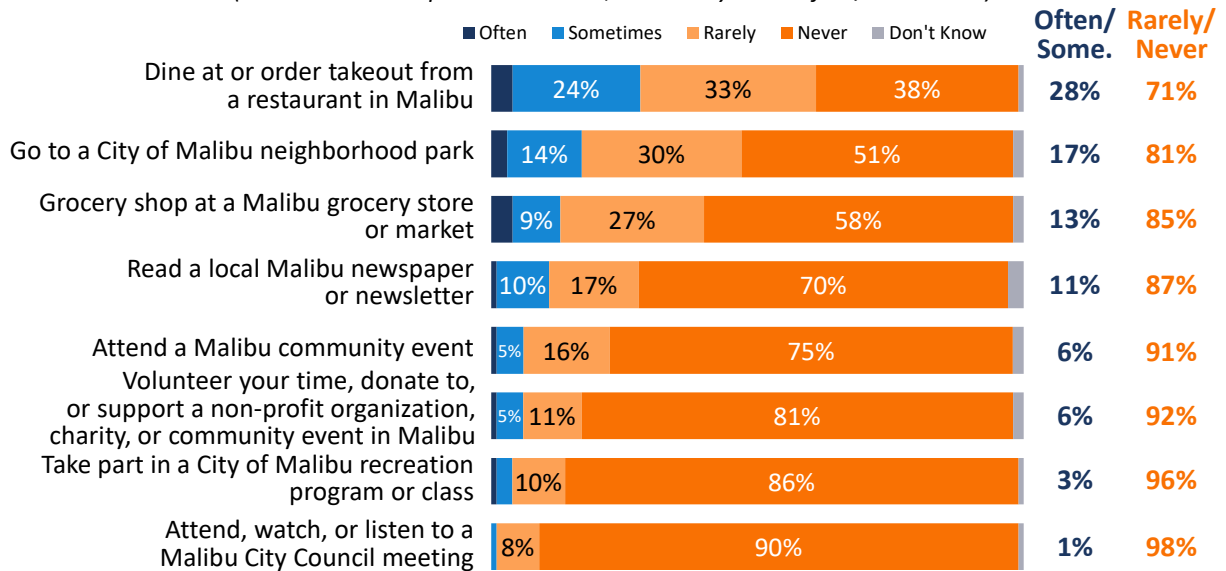
**Discrete and Isolated Lifestyles.** Overall, the majority of Santa Monica residents do not participate in any aspect of daily or community life in Malibu and vice versa. (**Figures 28 and 29**) Santa Monica residents do not participate in Malibu community events. (**Figure 30**)

**FIGURE 28**

**The vast majority of Santa Monica respondents do not participate in aspects of daily or community life in Malibu.**

*How often do you do each of the following specifically in the City of Malibu? If your activities have changed because of COVID-19, please consider your activities before COVID-19.*

*(Santa Monica respondents shown; Ranked by Total Often/Sometimes)*

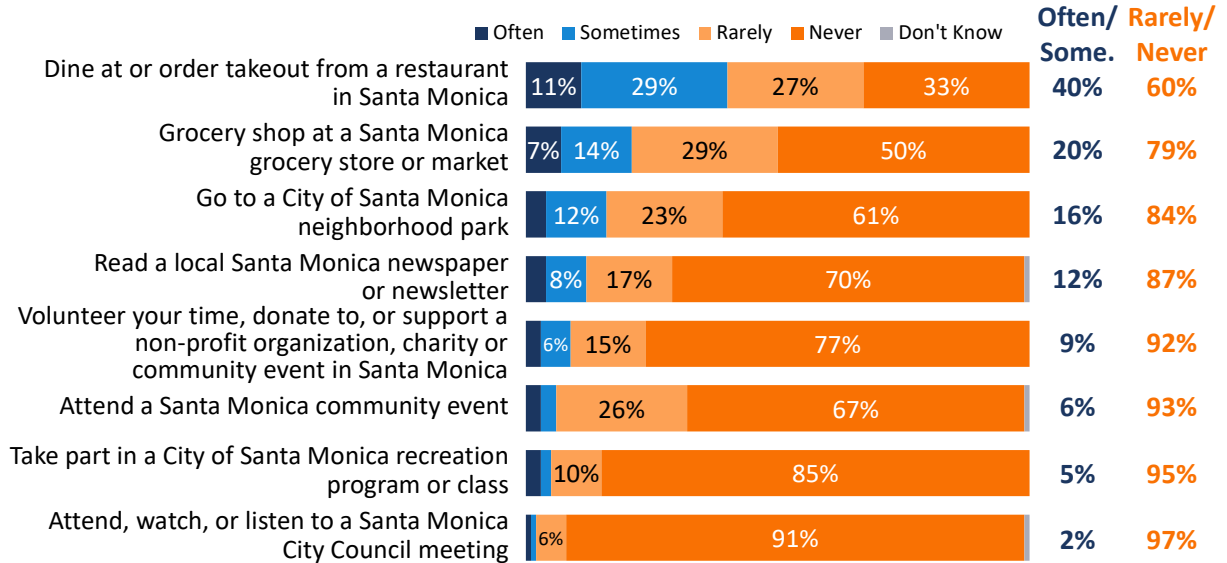


**FIGURE 29**

**Conversely, the vast majority of Malibu respondents do not participate in aspects of daily or community life in Santa Monica.**

*How often do you do each of the following specifically in the City of Santa Monica? If your activities have changed because of COVID-19, please consider your activities before COVID-19.*

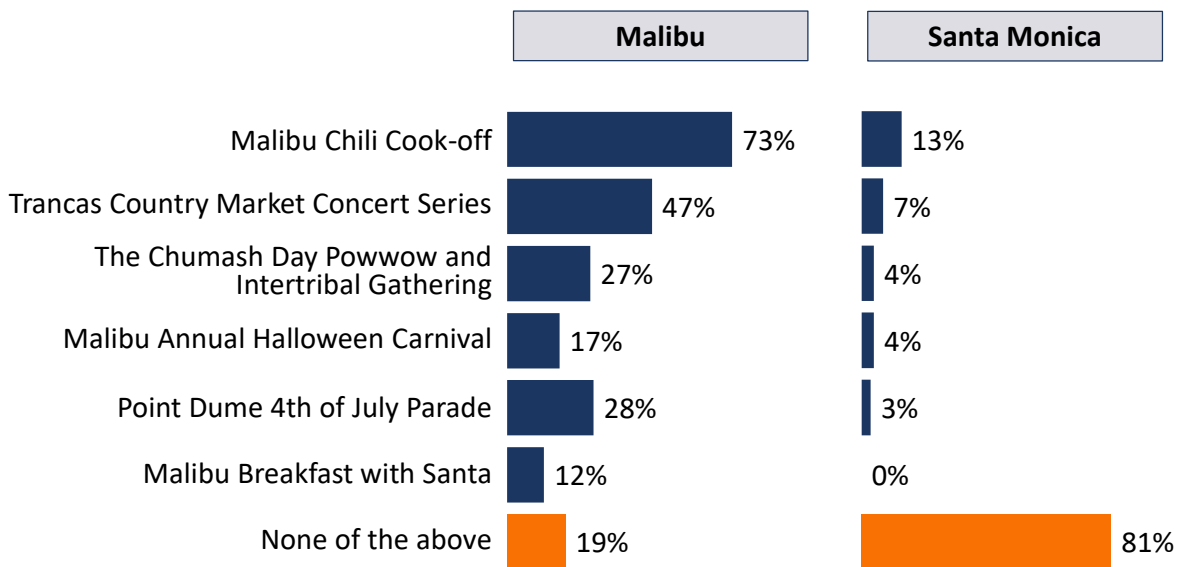
*(Malibu Respondents Shown; Ranked by Total Often/Sometimes)*



**FIGURE 30**

**Santa Monica respondents do not participate in Malibu community events.**

*Please indicate if you have attended any of the following events in the City of Malibu.*



The concerns of Malibu residents are different than the concerns of Santa Monica residents. Malibu residents were twice as likely as Santa Monica residents to say that Wi-Fi at their home is unreliable. (**Figure 31**) Plus, three out of four Malibu respondents consider cell phone reception to be at least a somewhat serious problem compared to just 6% of Santa Monica residents. (**Figure 32**)

**FIGURE 31**

**Malibu respondents are twice as likely to say Wi-Fi at their home is unreliable or not reliable at all.**

*How reliable would you say Wi-Fi is at your home? Is it very reliable, somewhat reliable, somewhat unreliable, or not reliable at all?*

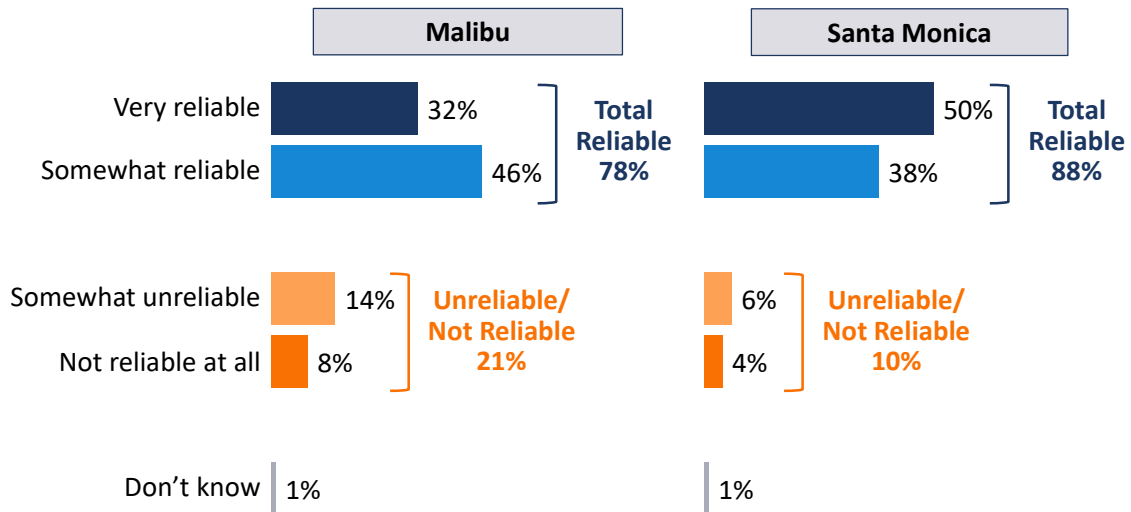
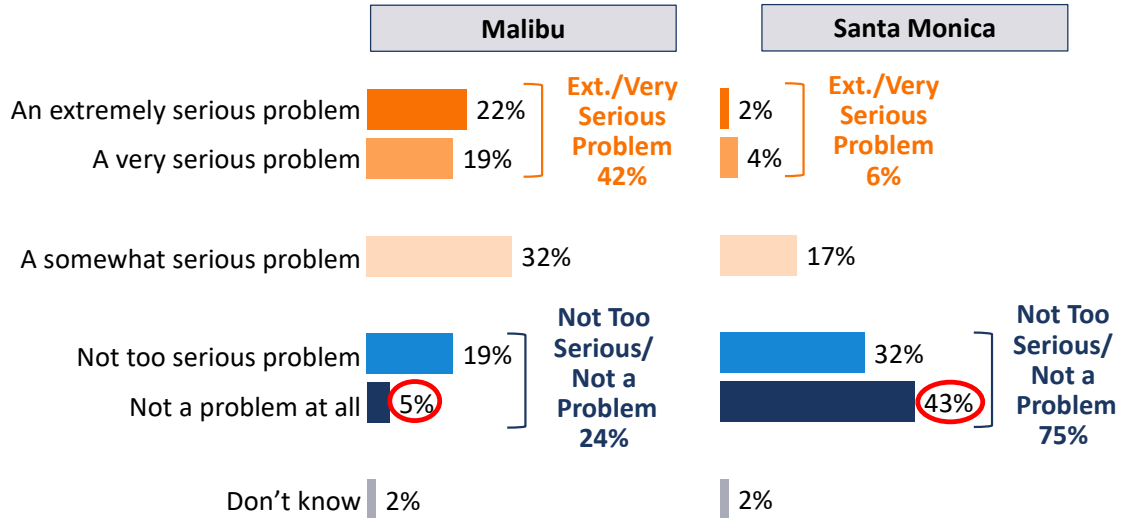


FIGURE 32

**3 out of 4 Malibu respondents consider cell phone reception where they live to be at least a somewhat serious problem, compared to just 6% of Santa Monica respondents.**

*In general, do you consider cell phone reception in Santa Monica/Malibu to be:*

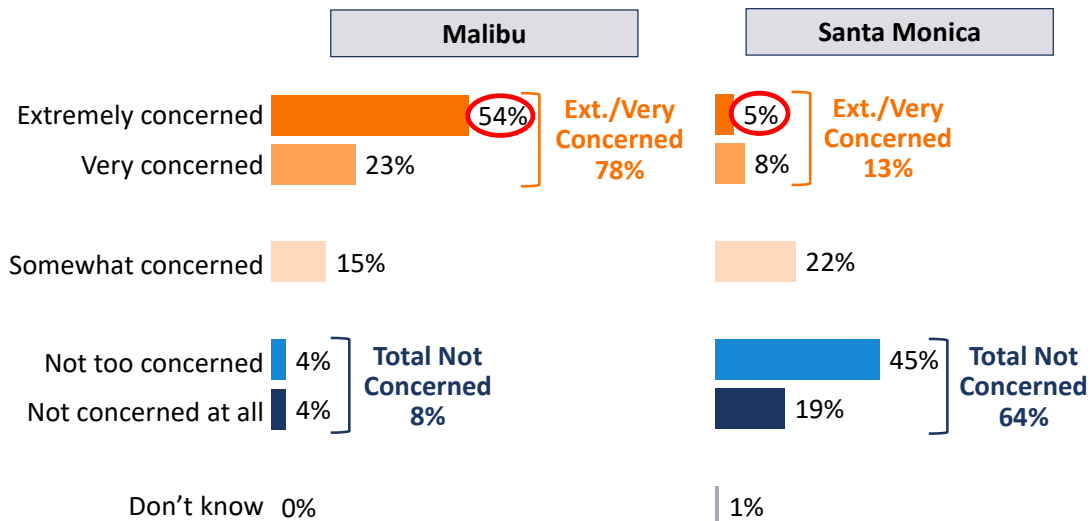


An issue commonly identified by Malibu survey respondents is their concern with power outages where they live, with nearly eight in ten Malibu residents expressing concern. (**Figure 33**) This is simply not a problem in Santa Monica.

FIGURE 33

**Nearly 8 in 10 Malibu respondents are very or extremely concerned about power outages where they live; just over 1 in 10 Santa Monica respondents feel this way.**

*How concerned are you about the possibility of power outages where you live?*



**SM-MUSD Governing Board.** The current SM-MUSD is comprised of seven Board members elected at-large. On the current Board, there is one Board member that lives in the Malibu area, but there have been several years when there was no Board member that lived in Malibu. Given the relative size of the Malibu population as compared to Santa Monica, this is expected, as Malibu students make up about 12% of the total student population and Malibu registered voters make up about 15% of the total District. However, this lack of representation means that the Malibu voice is not heard. The lack of local control coupled with the quite different community identities of Santa Monica and Malibu have led to the petition to separate the Malibu area from SM-MUSD.

**Ability to Meet Feasibility Criterion #2:**

The two communities are non-contiguous and distinctly separate communities where students and community members typically attend schools and participate in activities within their own geographic area. Although the proposed new MUSD is not located only within the City of Malibu, residents in the area receive services from many common public service providers, share common social and community centers, and frequent common business establishments.

The two communities of Malibu and Santa Monica are very distinct from one another in all areas considered in the CCR and in the CDE Handbook. The proposed reorganization will provide opportunities to maintain and very likely enhance the community's sense of identity through common goals in the school community. It is anticipated that Criterion #2 would be substantially met.



## CRITERION #3: EQUITABLE DIVISION OF PROPERTY AND FACILITIES

### **Education Code Section 35753(a)(3):**

The proposal will result in an equitable division of property and facilities of the original district or districts.

### **California Code of Regulations, Title 5, Section 18573(a)(3):**

To determine whether an equitable division of property and facilities will occur, the Department will determine which of the criteria authorized in Education Code Section 35736 shall be applied. It shall also ascertain whether the affected school districts and the county office of education are prepared to appoint the committee described in Education Code Section 35565 to settle disputes arising from such division of property.

Further guidance on this criterion is provided in Education Code Sections 35560, 35736, 35561, and 35565. Based on Education Code Section 35560, the real property and personal property and fixtures normally situated in the school sites within the new school district boundaries would belong to the resulting districts. All other property, funds, and obligations (except bonded indebtedness) must be divided pro rata between the impacted districts. Education Code Section 35736 allows for a variety of methods to equitably divide the remaining property and funds, including assessed valuation, average daily attendance (ADA), value and location of property, or other equitable means.

Education Code Section 35565 states that if a dispute arises concerning the division of funds, property, or obligations, a board of arbitrators shall be appointed which shall resolve the dispute; or the districts may mutually agree to the appointment of a sole arbitrator by the county superintendent of schools.

### **Key Findings:**

- The Education Code provides direction on the allocation for all assets, liabilities, and fund balances.
  - There is no reason to believe the Education Code provisions cannot be applied to this proposed reorganization.
- Real property would be distributed based on the location of such property.
- Bonded indebtedness will be repaid by the same taxpayers that are currently paying taxes on each series of bonds.
  - Bonds of SFID No. 1 will be repaid by the SMUSD tax base, bonds of SFID No. 2 will be repaid by the MUSD tax base, and all other bonds will be repaid by the combined tax base.

**Analysis of Criterion #3:**

**Real Property**

All real property currently located within the territory of MUSD can be allocated to MUSD post-separation, likewise, all real property currently located within the territory of SMUSD can be allocated to SMUSD post-separation. The proposed reorganization would result in the transfer of four school sites – Webster Elementary, Malibu Elementary, Malibu Middle, and Malibu High – as well as several parcels located within the Malibu area of the District. These sites are identified in **Figure 34**. With the exception of the school sites, the other parcels to be transferred are not developed.

The transfer of these parcels to the proposed MUSD would not have an impact on the operations of SMUSD, as no district-wide programs or support services are housed in or offered at Malibu school sites and Santa Monica students do not attend school in Malibu.

**FIGURE 34**

<b>Parcels Owned by Santa Monica-Malibu Unified School District</b>			
<b>APN</b>	<b>Use</b>	<b>Location</b>	<b>Lot Acres</b>
<b>Malibu Parcels</b>			
4458-023-903	Vacant	Malibu Crest Drive	21.624
4458-027-903	Webster Elementary	3602 Winter Canyon Road	6.379
4458-027-904	Vacant	Winter Canyon Road	1.536
4466-012-900	Point Dume Elementary	6955 Fernihill Drive	6.243
4469-017-900	Malibu Elementary, Malibu Middle, Malibu High	30215 Morning View Drive	40.056
4469-018-900	Trancas Riders and Ropers	6225 Merritt Drive	2.488
4469-018-901	Vacant	Merritt Drive	2.438
4469-018-902	Vacant	Merritt Drive	2.665
4469-018-903	Vacant/Parking Lot	Morning View Drive	9.396
4469-018-904	Vacant/Parking Lot	Merritt Drive	2.573
4469-019-900	Vacant	Merritt Drive	4.054
4469-019-901	Vacant	Merritt Drive	5.544
4469-019-902	Vacant	Merritt Drive	17.474

Source: Los Angeles County Assessor’s Office and ParcelQuest.

The remaining parcels owned by SM-MUSD would remain with SMUSD. Such parcels are identified in **Figure 35**. Of the 28 parcels identified that would remain with SMUSD, most are utilized as school campuses or for ancillary school uses, such as parking lots. There is one parcel of note that is used by SM-MUSD as an investment property, generating lease income from the operation of a hotel and an office building. The property is located at 1707 4th Street. Given the location of the property, it is likely to have a high market value. SMUSD could retain ownership of the 4th Street parcel and would continue to benefit from the ongoing lease revenues as unrestricted General Fund revenues. SMUSD would also retain the debt obligations related to this parcel.

**FIGURE 35**

<b>Parcels Owned by Santa Monica-Malibu Unified School District</b>			
<b>APN</b>	<b>Use</b>	<b>Location</b>	<b>Lot Acres</b>
<b>Santa Monica Parcels</b>			
4273-009-900	Grant Elementary	2368 Pearl Street	6.011
4273-021-901	Parking Lot	Pearl Street	0.967
4273-024-900	John Adams Middle	2425 16th Street	16.401
4274-005-901	Edison Language Academy	2508 Virginia Avenue	0.289
4274-005-902	Edison Language Academy	2512 Virginia Avenue	0.305
4274-005-903	Edison Language Academy	2402 Virginia Avenue	4.855
4276-023-900	McKinley Elementary	2401 Santa Monica Boulevard	6.487
4277-002-900	Franklin Elementary	2400 Montana Avenue	0.367
4277-002-901	Franklin Elementary	2400 Montana Avenue	5.236
4280-022-900	Roosevelt Elementary	801 Montana Avenue	5.992
4281-005-901	Lincoln Child Development Center	1520 California Avenue	0.344
4281-006-900	Lincoln Middle	1501 California Avenue	9.917
4282-012-900	Santa Monica College Performing Arts Center	1310 11th Street	4.407
4283-001-901	Parking Lot	Colorado Avenue	0.233
4283-002-900	Industrial/Office Building	902 Colorado Avenue	1.831
4283-010-900	Santa Monica Malibu Unified Administration	1651 16th Street	3.702
4284-038-900	Will Rogers Learning Community	2401 14th Street	6.103
4284-038-901	Church	1515 Maple Street	0.58
4287-002-900	Olympic High	721 Ocean Park Boulevard	4.307
4287-006-900	John Muir Elementary	2526 6th Street	5.588
4287-020-902	The Growing Place	401 Ashland Avenue	1.099
4287-022-900	Child Development Services	2802 4th Street	1.714
4290-003-901	Santa Monica High	601 Pico Boulevard	1.259
4290-005-900	Santa Monica High	601 Pico Boulevard	15.49
4290-006-904	Santa Monica High	601 Pico Boulevard	1.79
4290-006-905	District Headquarters and Hotel	1707 4th Street	2.255
4290-007-902	Santa Monica High	601 Pico Boulevard	3.929
4290-008-901	Santa Monica High	601 Pico Boulevard	3.416

### **Evaluation of Existing School Facilities**

As described in the CDE Handbook, the Feasibility analysis will include an “evaluation and report of the utilization, capacity, and condition of existing school facilities.” The City of Malibu staff and consulting team, in coordination with SM-MUSD facilities staff, completed site walks to analyze the condition of the four Malibu schools that would be transferred to the proposed MUSD.

**Malibu Elementary.** Classrooms at Malibu Elementary are clean and comfortable, with ample classroom space for students. The campus has state-of-the-art SMART Board technology, teacher laptops, and document projectors in every classroom.

The Kindergarten area is separated, with its own play yard, and there is room for a TK classroom if needed. There is a science/marine room that has large water aquarium tanks and a separate learning area, where classes rotate in for lessons.

There are separate spaces/classrooms for special education, reading intervention, art, computers, music, and a library. All classrooms are well-equipped with SMART Boards, projectors, computers, and new furniture.

The cafeteria receives food from Malibu High School which gets it from Santa Monica. There are well-stocked and maintained custodial closets, but no maintenance facilities.

The school looks like it was freshly painted in the last few years, and the utilities were upgraded with new HVAC/thermostats and controls. Water fountains have water bottle refill areas. No major areas of concern were noted in the facility inspection.



Classroom capacity is more than adequate to serve the current and projected student population.

**Webster Elementary.** Webster school was originally built in the late 1940s. Two major reconstruction projects in the past 20 years have resulted in all new plumbing, heating, electrical, and roofing systems. Major improvements in seismic safety and accessibility are in place. The school is well-maintained and is in well-functioning condition. Every classroom has an interactive white board and a SMART Board, and an ELMO document camera. Only one area of concern was noted in the facility inspection. There is insufficient parking available for staff and visitors.

The school is well-maintained with lush landscaping. The campus also includes a park area with a garden area that has an outdoor stage and a huge historic tree.

The school has a TK and a Pre-K area with a separate playground that has been newly upgraded. There are also Kindergarten classrooms in the main wings of the school. All Kindergarten and TK classrooms have restrooms and sinks. The school has a second garden area in the upper yard that was in the middle of being renovated during the facility inspection. It was noted that this area could be a safety hazard, as there were many gopher holes and tripping hazards. The actual playground facilities were not remarkable but did include quite a bit of space for a soccer field and a blacktop for basketball.



The cafeteria, library, and multipurpose room are all centrally located in the school, with space for inside and outside dining. The food is brought up from Malibu High School and warmed on site. There are two separate wellness areas, one for COVID check-in and one in the main office for traditional health needs.

The site also has set aside space for the Boys and Girls Club of Malibu, and it has several portables in the rear of the school that are not being used.

The school has sufficient capacity to accommodate the current and anticipated future student population.

**Malibu Middle/High School.** Currently both Malibu Middle and High School share one campus that is in the midst of a significant remodel, addition, and reconfiguration. Both schools use the same cafetorium/theater. Food is currently being brought in from Santa Monica and warmed, with limited cooking done on the campus. Students mainly eat outside and around the campus. The gym space is broken up between the old gym and the new gym. The high school students use the new gym space and the locker rooms.

The library is located in a new building which is shared between the Middle and High School. The new building, which opened in 2021, is a two-story building with extensive administrative space and

middle school classrooms on the second floor. It also houses science labs for both the Middle and High School. The classrooms are a bit undersized in the new building, with less than 1,100 square feet per room.



The other Middle School building is a rehabbed container building that was constructed to replace one of the buildings that contained significant PCBs. Each room contains an air scrubber as well, which was part of the PCB solution. The campus still has some rooms in the older buildings that are off limits and sealed off due to the presence of PCBs. The more saturated PCB buildings have been demolished and those spaces are awaiting new construction.

The High School classrooms are primarily housed in a two-story modular building. The buildings have no air conditioning or restrooms and there is a portable village of approximately nine classrooms that house special education classes.

Construction of a new building with an administration wing, library, classrooms, and labs began in October 2023. Modernization and new construction will include replacing the existing library and administrative building with a new library, three science labs, two computer labs, and four general classrooms. Ten classrooms in Building E will be renovated and reconfigured to provide two additional classrooms and a new IT room, which will house the main technology infrastructure. Ventilation in the gymnasium locker rooms and the existing fire alarm system will be upgraded. Outdoor improvements will include renovating the common areas, a new 150-space parking lot (Parking Lot E), and the reconfiguration of Parking Lot A. The equestrian trail will be relocated near the new Parking Lot E to accommodate a new student drop-off and pick-up lane.



Fifteen (15) existing classrooms were upgraded to the district’s new technology standards. The standard includes a projector and screen, document camera, DVD player, and a sound system with a wireless microphone. The school has been upgraded to 1Gpbs of networking and campus-wide Wi-Fi. The telephone systems were replaced with a district-wide IP telephone system (VOIP). One teacher and eight student laptops were provided for sixteen science classrooms. Wireless access points were installed throughout the campus and the phone system was replaced with a new IP telephone system. The campus network infrastructure was upgraded to one-gigabit bandwidth to support the wireless access and telephone upgrades.

There are graphic arts, ceramics, and music spaces shared between the Middle and High School. The fields and pool are also shared. The District secured a legal settlement with the neighbors regarding

field lighting, whereby, the poles are allowed to stay up all year round, but after football season, the light fixtures must be removed; it is said to be an expensive annual expenditure to take down and re-install the field lights annually.

An extensive campus Facility Master Plan describes four phases of improvements that includes the construction of a new High School classroom building in Phase 1 as well as many other improvements campus wide. To the extent that those improvements are implemented, the High School will have separate facilities from the Middle School and the overall layout of the campus will be significantly improved.

Classroom capacity on the current site is more than adequate to serve the current and anticipated future student population. The campus Master Plan includes additional classrooms that will provide more learning spaces for the future student population.

### **Personal Property**

Personal property that is located at or designated for use by a specific school site is subject to the requirements of Education Code Section 35560. As such, personal property, such as desks or computers, that are located on a school site that would be transferred to the proposed MUSD, would also be transferred to MUSD.

District-wide property, such as school buses or maintenance tools, would be subject to division between the proposed MUSD and SMUSD. Specifically, furniture, equipment, and vehicles owned by SM-MUSD that serve school sites and properties in both the Malibu and Santa Monica areas of the SM-MUSD can be allocated per the Education Code.

### **Bonded Indebtedness**

SM-MUSD voters have approved three ***District-wide*** general obligation bond measures. The first measure was in 1998 and authorized \$42 million of bonds. The second measure was in 2006 and authorized \$268 million of bonds. Approximately \$35 million of the 2006 measure was spent on schools in the Malibu area, including an administrative building and library at Malibu Middle School. Finally, in 2012 voters throughout SM-MUSD authorized \$385 million of bonds, approximately \$77 million of which was allocated to Malibu area schools for the Middle School administrative building and library project as well as improvements to both elementary schools. It is our understanding that all bond proceeds from these three measures have been spent. However, if bond proceeds remain, such proceeds would be allocated based on the assessed value of property within each area of the District. As of 2024-25, the Malibu area of the District comprises 35% of the total assessed value in the District.

In November 2018, the voters within only the Santa Monica region of the District, called School Facilities Improvement District (SFID) No. 1, approved a measure authorizing \$485 million in bonds. All proceeds from this measure must be spent on schools within the Santa Monica area of the District. All \$485 million authorized under this measure have been issued. These bonds will continue to be repaid by taxpayers within SMUSD.

Also in November 2018, the voters within only the Malibu region of the District, called SFID No. 2, approved a measure authorizing \$195 million in bonds. Funding from this bond measure is intended to be used to reconstruct Malibu High School, upgrade technology, improve gate access, and complete fire alarm upgrades. All \$195 million authorized under this measure have been issued. These bonds will continue to be repaid by taxpayers within MUSD.

In November 2024, the voters within SFID No. 1 (Santa Monica) appear to have approved a measure authorizing \$495 million in bonds. As of the time of this Report, the election results have not yet been certified, but it is expected that the measure will pass. Any bonds issued by the time this proposed separation is implemented would remain the responsibility of taxpayers within SMUSD. The authority to issue all authorized but unissued bonds would remain with SMUSD.

In November 2024, the voters within SFID No. 2 (Malibu) appear to have approved a measure authorizing \$395 million in bonds. As of the time of this Report, the election results have not yet been certified, but it is expected that the measure will pass. Any bonds issued by the time this proposed separation is implemented would remain the responsibility of taxpayers within MUSD. The authority to issue all authorized but unissued bonds would be transferred to the proposed MUSD, as the entire territory of SFID No. 2 is coterminous within the proposed boundaries of MUSD.

**Figure 36** shows the series, issue and maturity dates, the original issue and the bonds outstanding as of June 30, 2023.



**FIGURE 36**

<b>Outstanding Bonds</b>				
<b>Series</b>	<b>Issue Date</b>	<b>Maturity</b>	<b>Original Issue</b>	<b>Bonds Outstanding As of June 30, 2023</b>
Election 1998, Series 1999	5/26/1999	8/1/2023	\$38,000,034	\$6,170,103
2013 Refunding Bonds	1/8/2013	8/1/2032	\$45,425,000	\$2,265,000
Election 2006, Series D	3/19/2013	7/1/2037	\$82,995,327	\$1,115,000
2015 Refunding Bonds	11/10/2015	8/1/2034	\$47,915,000	\$8,080,000
2016 Series A Refunding Bonds	10/11/2016	7/1/2035	\$28,190,000	\$23,515,000
2016 Series B Refunding Bonds	10/11/2016	7/1/2032	\$660,000	\$660,000
2016 Series C Refunding Bonds	10/11/2016	7/1/2035	\$52,140,000	\$51,905,000
Election 2012, Series C	6/21/2017	7/1/2042	\$60,000,000	\$34,050,000
Election 2012, Series D	9/6/2018	8/1/2043	\$120,000,000	\$8,650,000
SFID No. 1 Election 2018, Series A	10/2/2019	8/1/2049	\$110,000,000	\$79,160,000
SFID No. 2 Election 2018, Series A	10/2/2019	8/1/2049	\$35,000,000	\$23,840,000
Election 2012, Series E	11/6/2019	8/1/2036	\$115,000,000	\$108,100,000
2019 Refunding Bonds	11/6/2019	8/1/2043	\$105,915,000	\$101,935,000
2020 Refunding Bonds	8/5/2020	7/1/2040	\$74,720,000	\$72,610,000
SFID No. 1 Election 2018, Series B	7/1/2021	8/1/2050	\$200,000,000	\$172,540,000
SFID No. 2 Election 2018, Series B	7/1/2021	8/1/2050	\$80,000,000	\$29,260,000
2021 Refunding Bonds	9/1/2021	8/1/2038	\$122,170,000	\$119,680,000
SFID No. 1 Election 2018, Series C	10/26/2023	8/1/2053	\$175,000,000	\$175,000,000
<b>Total</b>				<b>\$1,018,535,103</b>

Source: Santa Monica-Malibu Unified School District Financial Statement, June 30, 2023.

Additionally, in August 2024, SM-MUSD issued the remaining \$80 million of SFID No. 2 bonds. As they were issued in the current fiscal year, they did not appear on the June 30, 2023 audit. As such, SM-MUSD has outstanding bonds totaling \$1,098,535,103.

As school facilities improvements funded from all bond measures were completed on both Malibu and Santa Monica area schools, the repayment obligation of the three district-wide bond measures will continue to be repaid from both the Malibu and Santa Monica tax bases allocated based on assessed value in each community. Unspent bond proceeds and authorized but unissued bonds from the two 2018 SFID measures would transfer to the school district serving each SFID.

Additionally, since the boundaries of the proposed MUSD follow the same boundaries as SFID No. 2, taxpayers within the proposed MUSD's boundaries would be responsible for the repayment of all SFID No. 2 bonds. Likewise, since the boundaries of the remaining SMUSD follow the same boundaries as SFID No. 1, taxpayers in the remaining SMUSD would be responsible for the repayment of all SFID No. 1 bonds. Ultimately, the reorganization proposal will have no effect on the amount due by property owners, as the property owners within the proposed MUSD's boundaries are already paying

debt service on SM-MUSD bonds. They would see no net change in payments due on outstanding General Obligation bonds as a result of the reorganization.

According to Education Code Section 35572, “no territory shall be taken from any school district having any outstanding bonded indebtedness...where the action...would so reduce the last equalized assessed valuation of the divided district so that the outstanding bonded indebtedness of the divided district would exceed 5 percent of the assessed valuation in the remaining territory of the divided district.” As shown in **Figure 37**, as of September 2024, the SM-MUSD outstanding District-wide bonds are 0.69% of the total assessed value in the District. This excludes the SFID No. 1 and No. 2 bonds as the assessed value responsible for repaying the SFID bonds would not change with the proposed reorganization. Post-reorganization, the outstanding bonds would be 1.06% of the assessed value of the remaining district. This is well below the 5% threshold set forth in the Education Code.

**FIGURE 37**

<b>Outstanding Bonds as a Percentage of Assessed Value</b>	
Outstanding Districtwide Bonds (Non-SFID)	\$538,735,103
Santa Monica-Malibu USD Assessed Value	\$78,116,544,293
Bonded Indebtedness as a % of Assessed Value	0.69%
Remaining Santa Monica USD Assessed Value	\$50,905,847,011
Bonded Indebtedness as a % of Assessed Value	1.06%

**Other Outstanding Debt.** In 2020, SM-MUSD issued \$25.7 million of Certificates of Participation (COPs) to fund improvements to the new administrative office building. The COP liability would be allocated to SMUSD, as it was used to fund the administrative office building that will be used exclusively by SMUSD. The revenue source committed for COP repayment is redevelopment pass-through funds, which will be retained in their entirety by SMUSD. Given the use of the COP proceed is for a building to be retained by SMUSD and the dedicated repayment source for the COP is a revenue source to be retained by SMUSD, therefore, the liability for the COP and responsibility for repayment should be with SMUSD.

**Pension and Other Post Employment Benefit (OPEB) Reserves and Liabilities**

Pension and Other Post Employment Benefit (OPEB) liabilities shall be allocated between SMUSD and MUSD based on actual employee assignments determined by an actuarial study completed as soon as possible once employee assignments are identified.

**Other Assets, Liabilities, and Fund Balances**

The allocation of other assets, liabilities, and fund balances can be allocated between the Districts based on the provisions of the Education Code.

**Fund Balances.** Fund Balances can be proportionately allocated between SMUSD and MUSD based on estimated Fund Balances on July 1 of the first year of MUSD operations as described in the Education Code.

**Ability to Meet Feasibility Criterion #3:**

The proposed MUSD and remaining SMUSD can utilize the provisions of the Education Code to achieve equitable distribution of property, funds, and obligations of SM-MUSD. Therefore, it is anticipated that Criterion #3 would be substantially met.

## CRITERION #4: DISCRIMINATION/SEGREGATION

### **Education Code Section 35753(a)(4):**

The reorganization of the districts will preserve each affected district's ability to educate students in an integrated environment and will not promote racial or ethnic discrimination or segregation.

### **California Code of Regulations, Title 5, Section 18573(a)(4):**

To determine whether the new districts will promote racial or ethnic discrimination or segregation, the State Board of Education will consider the effects of the following factors:

- The current number and percentage of pupils in each racial and ethnic group in the affected districts and schools in the affected districts, compared with the number and percentage of pupils in each racial and ethnic group in the affected districts and school if the proposal or petition were approved.
- The trends and rates of present and possible future growth or change in the total population in the districts affected, in each racial and ethnic group within the entire school district, and in each school of the affected districts.
- The school board policies regarding methods of preventing racial and ethnic segregation in the affected districts and the effect of the proposal or petition on any desegregation plan or program of the affected districts, whether voluntary or court ordered, designed to prevent or to alleviate racial or ethnic discrimination or segregation.
- The effect of factors such as distance between schools and attendance centers, terrain and geographic features that may involve safety hazards to pupils, capacity of schools, and related conditions or circumstances that may have an effect on the feasibility of integration of the affected schools.
- The effect of the proposal on the duty of the governing board of each of the affected districts to take steps, insofar as reasonably feasible, to alleviate segregation of minority pupils in schools regardless of its cause.

The CDE Handbook defines segregation to be "a condition in which a disproportionate percentage of minority students in a district or affected school(s) occurs as a result of a proposal, making it unrealistic to provide integrated educational experiences."

The CDE Handbook also defines an integrated educational experience as "the process of education in a racially and ethnically diverse school that has as its goal equal opportunities for participation and achievement among all racial and ethnic groups in the academic program and other activities of the school, together with the development of attitudes, behavior, and friendship based on the recognition of dignity and value in differences as well as similarities."

### Key Findings:

- The proposed reorganization will not alter the attendance boundaries of any school sites and, therefore, will not change the racial and ethnic composition of any schools.
  - Therefore, there is no increase in the minority population of any school within SM-MUSD.
- This reorganization is not projected to significantly increase the percentage of minority group students in either of the reorganized school districts.
  - The reorganization will not create a segregated environment in any school in either SMUSD or MUSD.

### Analysis of Criterion #4:

The CDE Handbook offers detailed instructions for how to analyze this criterion in its Appendix M. Specific guidance is provided in the CDE Handbook as to whether district-wide percentages should be evaluated, or school site specific figures should be used. As described in Appendix M, page 9 of the Handbook:

“Districtwide percentages are given primary consideration if there are relatively few schools in the affected district(s). Districtwide percentages are of limited value when applied to very large districts or if affected schools are distant from each other or if geographic, safety, or other factors must be considered. In such cases, only “affected” schools are considered in the analysis.”

While we are not addressing “very large districts” in this instance, there is a dividing distance between the regions/school clusters. In addition, the geographic topography paired with the traffic between the two regions raises safety concerns and restricts cross-region movement and/or interaction.

Given the distance and driving hazards between Malibu area schools and Santa Monica area schools coupled with the fact that the proposed reorganization will not alter the attendance boundaries of any school site, and therefore, will not change the racial and ethnic composition of any schools, the data will be analyzed on a school site basis. As previously stated, SM-MUSD currently operates separate educational pathways in Malibu and Santa Monica and students predominantly attend schools within their area of residence due to geographic distance and the safety hazards of commuting between the two cities.

The enrollment and demographic data available for school districts in California is obtained through CDE’s Dataquest reporting system. Student ethnicity is categorized into seven categories: African American, Native American, Asian, Filipino, Hispanic or Latino, Pacific Islander, and White. Many ethnicities currently represented in SM-MUSD are not individually identified and are simply categorized in the “White” category.

For the purposes of this analysis, the data, as gathered and reported to CDE, has been categorized into two categories: White and Non-White. All ethnicities other than White, as reported by CDE, are categorized as Non-White.

As shown in **Figure 38**, the ethnic make-up of the Malibu area schools is currently 77.6% White and 22.4% Non-White students, while the ethnic make-up of the Santa Monica area schools is currently 44% White and 56% Non-White students. These percentages will remain the same post-reorganization. As previously indicated, the student populations are not expected to change by any significant margin. There might be a slight change in race or ethnicity percentages based solely on the number of students entering the schools in kindergarten as compared to the number leaving from 12th grade, or based on the small number of students currently attending schools on intra-district transfers choosing to return to their attendance area schools.

**FIGURE 38**

<b>2023-24 Student Enrollment by Ethnicity</b>		
<b>Name</b>	<b>% Non-White Students</b>	<b>% White Students</b>
<b>Malibu Area Schools</b>		
Malibu Elementary School	18%	82%
Malibu High	26%	74%
Malibu Middle	24%	76%
Webster Elementary	17%	84%
<b>Combined Malibu Area Schools</b>	<b>22.4%</b>	<b>77.6%</b>
<b>Santa Monica Area Schools</b>		
Edison Elementary	73%	27%
Franklin Elementary	37%	63%
Grant Elementary	53%	47%
John Adams Middle	68%	32%
Lincoln Middle	45%	55%
McKinley Elementary	65%	35%
Olympic High (Continuation)	84%	16%
Roosevelt Elementary	43%	57%
Santa Monica Alternative (K-8)	46%	54%
Santa Monica High	59%	41%
Will Rogers Elementary	65%	35%
<b>Combined Santa Monica Area Schools</b>	<b>56.0%</b>	<b>44.0%</b>

*Source: California Department of Education, DataQuest.*

Districtwide, the current SM-MUSD student population is about 50% Non-White and 50% White, as shown in **Figure 39**. Post-reorganization, the remaining SMUSD student population would have a 4% increase in its Non-White student population. An increase of 4 percentage points on the minority population of SMUSD is not a significant increase in the percentage of minority group students and demonstrates that it is highly unlikely that this proposal will promote racial or ethnic segregation.

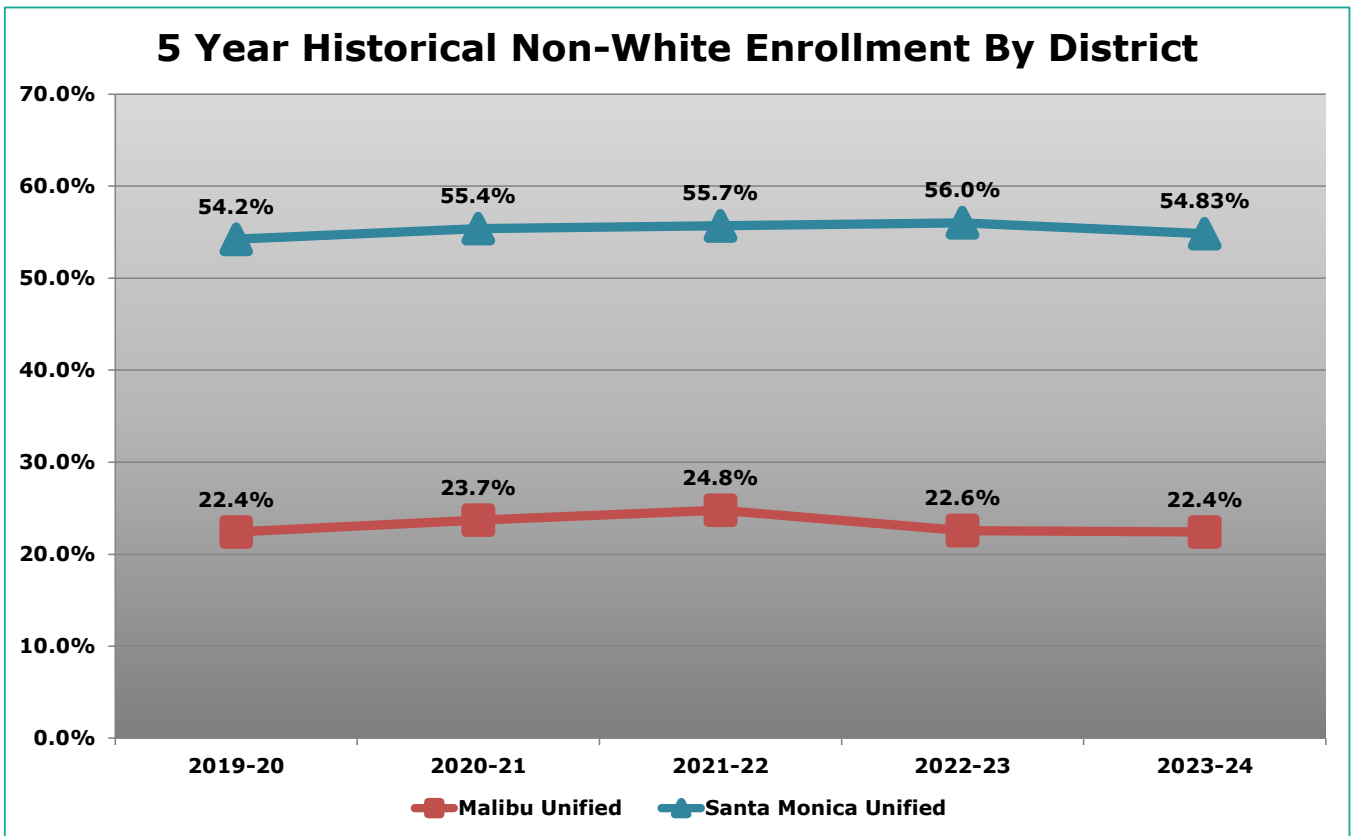
**FIGURE 39**

2020-21 Student Enrollment by Racial Groupings				
District	Non-White Students	Non-White Students	White Students	White Students
Santa Monica-Malibu Unified School District	4,479	52.0%	4,130	48.0%
Santa Monica Unified School District	4,250	56.0%	3,337	44.0%
Malibu Unified School District	229	22.4%	793	77.6%

Source: California Department of Education, DataQuest.

The Non-White enrollment has remained relatively steady in the current and proposed districts over the last 5 years, as shown in **Figure 40**.

**FIGURE 40**



Source: California Department of Education, DataQuest.

Based on the standards and conditions outlined in the CDE Handbook, it does not appear that the Non-White population of either the proposed MUSD or the remaining SMUSD would exceed the 75% mark within the next five years. The population of Non-White students, especially Hispanics or Latinos, is projected to increase in SMUSD, but it will not grow to such a level as to merit a concern about segregation.

Although the Malibu community is predominately “White” and the student population at Malibu area schools reflects that, this proposed reorganization is not creating any minority group segregation. As stated in Appendix M, page 8 of the CDE Handbook, “a proposal could be approved if majority group (white) ‘segregation’ occurs in the absence of any minority group segregation.” This would be the case in this proposed reorganization.

Even though the Malibu area of the District has a lower percentage of what is categorized as “Non-White students” based on the data as collected by CDE, there are several ethnicities prevalent in the community that simply are not accounted for given the constraints of the CDE data gathering process. The Malibu community includes a significant number of students from Middle Eastern and Eastern European countries that are not specifically accounted for in the CDE data. These students are seamlessly integrated into the Malibu area schools sites and will continue to be after reorganization.

Each reorganized district would only have one high school site. As such, options to integrate students within district boundaries are limited, especially given the 21-mile distance and typical 45 minute to 1 hour commute time between the two school sites. Should integration be required, SMUSD and MUSD could adopt an open enrollment policy, or such policies could be implemented with other nearby districts.

Malibu community members want to create a school district that could increase diversity by creating quality schools that would be attractive to a broader community of students from outside the area. The community would like to explore establishing affordable housing and offering inter-district permits with transportation to students and families wanting to attend the proposed MUSD. This desire was expressed in the visioning study described in the analysis for Criterion #6 in this Report. Ultimately, the future MUSD Board could consider policies aligned with the community’s desire for more diverse schools.

SM-MUSD has not received any court orders to desegregate. Any current policies were adopted voluntarily. Over the past twenty-plus years, SM-MUSD has undertaken a number of initiatives to address and reduce racial and socioeconomic disparities in student achievement. In 2016, SM-MUSD contracted with Pedro A. Noguera and Associates to conduct an equity-based review of its schools (“the Study”). Dr. Noguera is a renowned education expert and Dean of the USC Rossier School of Education. The Study provides observations regarding how SM-MUSD is currently operating and how modifications can improve racial and socioeconomic disparities. One observation of Noguera and Associates was specifically related to reorganization:

*“Malibu-Santa Monica tension – the ongoing debate over separation, the intense debates that have unfolded over equity in funding and resources, have served as a major source of distraction from district equity efforts.”*

Based on the data, minority enrollment in the resulting school districts would not exceed the standards used by the State Board of Education to determine when segregation occurs. However, the school districts could pursue open enrollment agreements to address any perceived racial imbalance. Further, the future MUSD school board could adopt policies to ensure the new district does not create an environment the promotes racial or ethnic segregation as fostering an environment of diversity and inclusion is a high priority to the Malibu community.



**Ability to Meet Feasibility Criterion #4:**

Since school site attendance boundaries will not change post-reorganization, the racial and ethnic make-up of each school site will remain status quo. It is reasonable to expect that the reorganization will preserve each district's ability to educate students in an integrated environment and will not promote racial or ethnic discrimination or segregation. The reorganization will further eliminate the distraction the District is currently facing in trying to improve student equity. As such, it is reasonable to expect that Criterion #4 will be substantially met.

## CRITERION #5: NO INCREASE IN STATE COSTS

### **Education Code Section 35753(a)(5):**

Any increase in costs to the state as a result of the proposed reorganization will be insignificant and otherwise incidental to the reorganization.

### **Key Findings:**

- Both the proposed MUSD and the remaining SMUSD are projected to be Basic Aid post-reorganization. As such, there is not anticipated to be any increase in cost to the State related to State Aid.
- The reorganization will not create additional costs to the State for school facilities, special education or categorical programs, special education transportation costs, or any Necessary Small Schools.

### **Analysis of Criterion #5:**

As described in the CDE Handbook, the cost to the State as a result of the proposed reorganization should be evaluated based on an analysis of the following items:

- (1) A change in basic aid status of one or both districts resulting in additional State aid
- (2) Additional state costs for school facilities
- (3) Additional costs for special or categorical programs
- (4) Effect on state reimbursements for special education transportation services
- (5) Increased costs from schools becoming Necessary Small Schools and qualifying for additional state funding

### **Evaluation of the Basic Aid Status of Both Districts**

The reorganization would result in the proposed MUSD becoming a basic aid district, meaning that the District's local property tax revenue would exceed its LCFF entitlement. Because of the larger share of funding from property taxes, the MUSD would see an increase in its per pupil funding compared to the SM-MUSD.

Preliminary calculations for the new SMUSD indicate that the new district would continue to be Basic Aid with no increase in the State aid portion of the LCFF entitlement. The loss of excess property taxes to the SMUSD due to the loss of the Malibu property taxes would be mitigated through a tax exchange agreement described under Criterion #9 of this Feasibility Study that proposes to transfer property taxes from MUSD to SMUSD so that there is no harm to student services.

**Local Control Funding Formula (LCFF).** In 2013-14, a major change was made to school district funding. K-12 schools, including charter schools, moved from the Revenue Limit system to the Local Control Funding Formula (LCFF). The vast majority of a school district's revenues come from the LCFF calculation – whether the district is Community Funded (Basic Aid), or State Funded.

Simply stated, based on a few factors, an entitlement is calculated. The factors that make up the LCFF calculation are:

- District enrollment,
- Percent of enrollment from English Learners, low socio-economic, homeless, or foster students (Unduplicated Pupil Count),
- Average daily attendance (ADA),
- Cost of living adjustment (COLA) applied to base funding, and
- Property taxes.

The funding comes from two sources: property taxes and State aid. Usually, only a portion of the entitlement comes from taxes, with the remaining amount to balance to the entitlement coming from the State. However, when property taxes exceed the calculated entitlement, the district gets to keep the excess taxes and is labeled Basic Aid. A district does not choose nor strive toward Basic Aid status; a district is funded as either Basic Aid or State Funded, whichever provides the highest funding level.

When a district is classified as Basic Aid, Prop 30 Education Protection Act (EPA) dollars are provided on top of property taxes, and the State funding portion is held to a constant Minimum State Aid (MSA) level based on categorical programs funded in 2012-13, the year prior to the implementation of LCFF. Also, when a district is Basic Aid, they no longer receive Supplemental Tax dollars or ERAF taxes. Those dollars are allocated elsewhere within the County to State Funded districts to offset required State Aid backfill.

Regarding the Unduplicated Pupil Count (UPC), the higher the percentage of students who are disadvantaged, the higher the level of per-student funding under the LCFF formula. For instance, a district with 20% disadvantaged students would be entitled to less funding than a district with 50% disadvantaged students. The current SM-MUSD district has a UPC of just under 31%. The underlying UPC for Malibu students is estimated at 17% while the underlying UPC for Santa Monica students is approximately 32%. Therefore, when Malibu students are removed from the current district's calculation, SMUSD's LCFF entitlement will increase slightly per student as the percentage of disadvantaged students increases.

New LCFF calculations were prepared for the proposed MUSD and the remaining SMUSD. The enrollment and ADA splits, and the portion of "unduplicated" students that were used by SM-MUSD were also used for these *pro forma* LCFF calculations.

For the new LCFF calculations, property taxes generated within each of the two new district attendance areas were used and the COLA estimates projected during 2024 were used. The Minimum State Aid dollars provided to the current district (\$8.5 million) were prorated between the two districts on a per-ADA basis. For a district in Basic Aid status, additional State funding for EPA at

\$200/ADA is provided and does not change based on the separation as the total number of students remains the same.

Based on the above variables, two new sets of LCFF funding projections were generated. These projections, including the portion of calculated State aid and property taxes, were compared to the current district's LCFF funding projections.

**Enrollment and Average Daily Attendance (ADA).** To estimate student enrollment, each site was noted to be located in Santa Monica boundaries or in Malibu. There are multiple sites that operate in Santa Monica but are alternative programs and may contain students who reside in Malibu. However, for the purposes of this analysis, it is assumed that all of the students who attend these alternative programs located in Santa Monica also reside in Santa Monica.

Using the number of students and related ADA, the calculation of per-student funding for the current district and for each new district was completed. These per-student funding amounts are used when examining whether there will be any financial impact on the State due to the proposed reorganization, and for analyzing the additional revenue sources above the calculated LCFF funded amounts.

**Property Taxes.** A tax exchange agreement will provide a temporary redistribution of property taxes from MUSD to SMUSD in order to hold the State and future SMUSD harmless and meet State reorganization Criterion #5. This temporary redistribution would still enable MUSD to maintain their Basic Aid status, and SMUSD would continue to be Basic Aid as well. Furthermore, SMUSD would receive additional funding from their portion of the parcel tax, redevelopment pass-through funding, City of Santa Monica sales taxes, City of Santa Monica joint use payments, City of Santa Monica Property Transfer Taxes, and other local revenue streams.

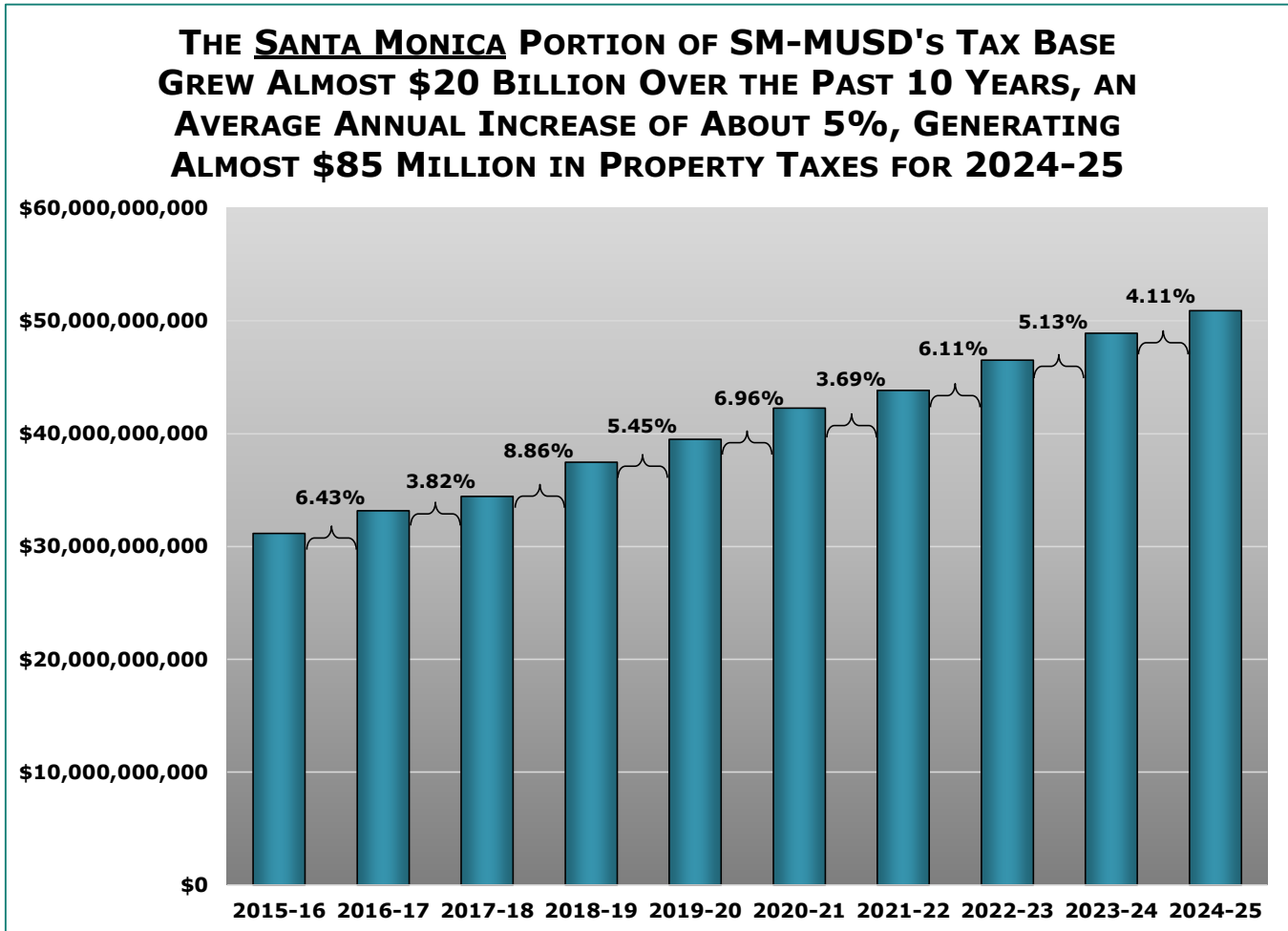
With the proposed reorganization, property taxes would be allocated to the school district serving the territory where the tax revenues are generated. Chapter 9, page 7, of the CDE Handbook describes the process by which the calculation is completed. Specifically, Section 99 of the Revenue and Taxation Code states that the agencies can request that the LA County Assessor provide the County Auditor with "a report that identifies the assessed valuations for the territory subject to the jurisdictional change and the tax rate area or areas in which the territory exists." Then, the LA County Auditor can "estimate the amount of property tax revenue generated within the territory that is subject of the jurisdictional change during the current fiscal year." Finally, the LA County Auditor can "estimate what proportion of the property tax revenue...is attributable to each local agency."

For the purposes of this Feasibility Study, the amount of property taxes to be allocated to each agency has been estimated based on the assessed value within the jurisdiction of the proposed MUSD and remaining SMUSD, applying the current AB 8 factors to estimate each agency's share of property taxes plus the estimated property tax exchange.

As shown in **Figure 41**, the SMUSD portion of the tax base has grown by an average annual rate of 5% per year over the past ten years. After accounting for tax revenues from the redevelopment

agency within Santa Monica, their \$50.9 billion tax base will generate approximately \$85 million of unrestricted property tax dollars for Santa Monica in 2024-25.

**FIGURE 41**



Source: Los Angeles County Auditor-Controller.

Although property taxes from the former redevelopment agency are deducted from the amount of general property taxes that SMUSD would otherwise receive, additional property tax revenues are allocated back to the District as Redevelopment Pass-Through and Redevelopment Residual payments. The money received from these two redevelopment categories are considered property taxes for the purpose of determining the amount of State Aid that a district would receive, and in this case, for determining the Basic Aid status of SMUSD.

As provided by the Los Angeles County Auditor-Controller, the Successor Redevelopment Agency will distribute a total of \$5,211,216 in Redevelopment Pass-Through payments and \$24,799,938 in Redevelopment Residual payments for a total of \$30,011,154 in additional property tax dollars for 2024-25. It is important to note that an additional \$3.37 million in funding will come from the Successor Redevelopment Agency in Redevelopment Pass-Through payments that are designated for facilities use and not considered property taxes.

As shown in **Figure 42**, the total property tax revenues for the SMUSD portion of SM-MUSD for 2024-25 is estimated to be approximately \$85 million.

**FIGURE 42  
ESTIMATED SMUSD PROPERTY TAX ALLOCATION  
FOR 2024-25**

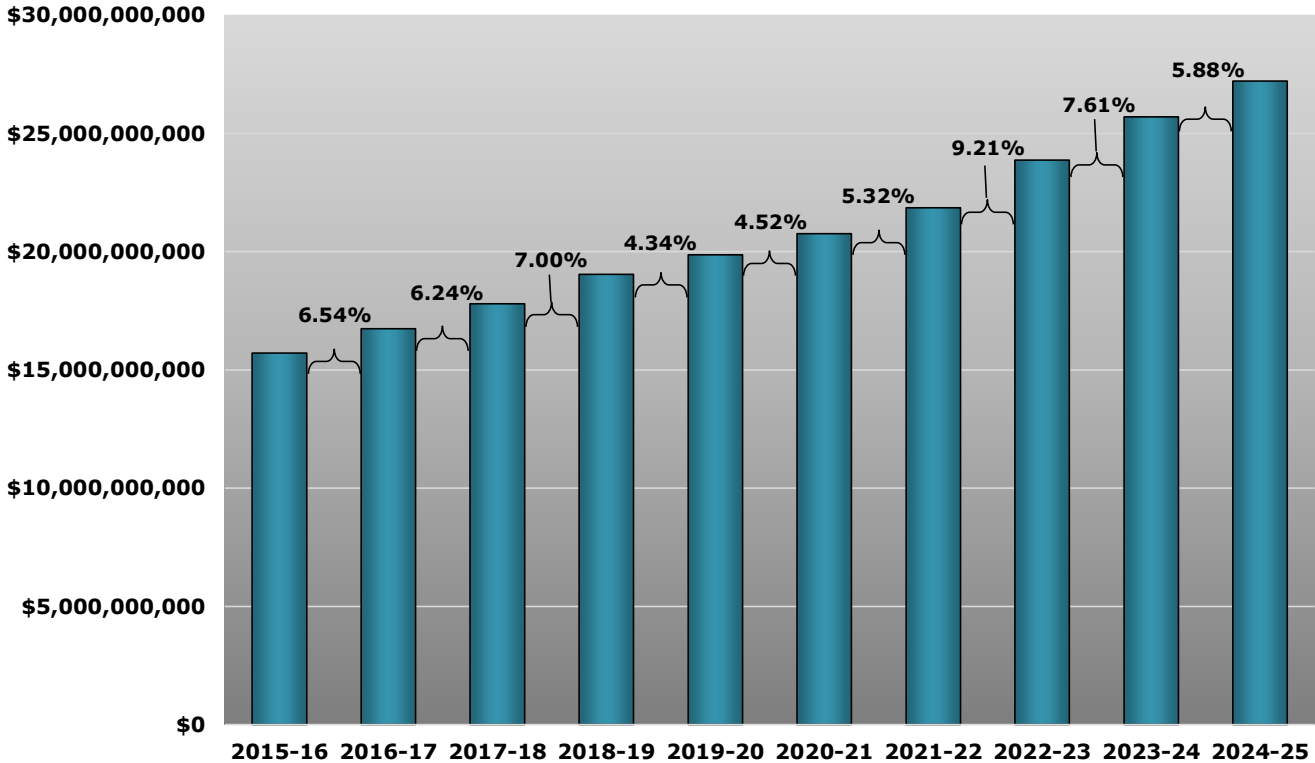
Property Tax Funding Source	Estimated 2024-25
Property Taxes	\$54,579,000
RDA Pass-Through Property Tax	\$5,211,216
RDA Residual	\$24,799,938
<b>Total</b>	<b>\$84,590,154</b>

*Source: Los Angeles County Auditor-Controller.*

As shown in **Figure 43**, the MUSD portion of the tax base has grown by an average annual rate of 5.9% per year over the past ten years. Their \$27 billion tax base will generate approximately \$42 million of general property tax dollars in 2024-25. Since there is no redevelopment agency within Malibu, no additional adjustments need to be made to the property tax estimates for the proposed MUSD.

FIGURE 43

**THE MALIBU PORTION OF SM-MUSD'S TAX BASE GREW BY \$11.5 BILLION OVER THE PAST 10 YEARS, AN AVERAGE ANNUAL INCREASE OF ABOUT 5.9%, GENERATING \$42 MILLION IN PROPERTY TAXES FOR 2024-25**



Source: Los Angeles County Auditor-Controller.

These property tax figures are then applied to the Local Control Funding Formula (LCFF) calculator to evaluate whether the districts would retain their basic aid status post-reorganization in order to determine whether there would be an additional cost to the State due to this propose reorganization.

**LCFF Calculations.** The factors discussed above are combined as illustrated in **Figure 44** to calculate a district’s LCFF entitlement:

FIGURE 44

$$\left( \text{ADA} \times \frac{\text{Base Funding by Grade Group}^*}{\text{Grade Span Adj (GSA)}^{**}} \right) + \left( \text{ADA} \times \frac{\text{Base Funding by Grade Group}^*}{\text{Grade Span Adj (GSA)}^{**}} \right) + \left( \text{UPC}\% \times 20\% \times \text{Base Funding by Grade Group}^* \right) = \text{LCFF Entitlement}$$

\* Base amount is different for each grade span - K-3, 4-6, 7-8, and 9-12  
 \*\* Grade Span Adjustment for K-3 for Class Size Reduction and for 9-12 for CTE

Once the calculation is made, based on a district's unique property tax amount, the specific funding sources are identified to fund the entitlement:

- State aid, at least Minimum State Aid (MSA) amount
- EPA (part of State aid if State Funded, in addition to MSA if Basic Aid)
- Property Taxes

Based on the LCFF calculator, both the proposed MUSD and remaining SMUSD would receive more in property taxes than the calculated LCFF entitlement, making them both Basic Aid after reorganization, as shown in **Figures 45 and 46**.



**FIGURE 45  
SMUSD LCFF ENTITLEMENT**

	2024-25	2025-26	2026-27	2027-28
<b>SUMMARY OF FUNDING</b>				
<b>General Assumptions</b>				
COLA & Augmentation	1.07%	2.93%	3.08%	3.30%
Base Grant Proration Factor	0.00%	0.00%	0.00%	0.00%
Add-on, ERT & MSA Proration Factor	0.00%	0.00%	0.00%	0.00%
<b>LCFF Entitlement</b>				
Base Grant	\$84,393,644	\$80,710,916	\$81,128,752	\$82,528,565
Grade Span Adjustment	3,021,840	2,902,996	2,917,832	2,968,974
Supplemental Grant	5,395,284	5,160,650	5,187,356	5,276,908
Concentration Grant	-	-	-	-
Add-ons: Targeted Instructional Improvement Block	429,757	429,757	429,757	429,757
Add-ons: Home-to-School Transportation	897,197	923,485	951,928	983,342
Add-ons: Small School District Bus Replacement Program	-	-	-	-
Add-ons: Transitional Kindergarten	379,739	390,865	402,904	416,200
<b>Total LCFF Entitlement Before Adjustments, ERT &amp; A</b>	<b>\$94,517,461</b>	<b>\$90,518,669</b>	<b>\$91,018,529</b>	<b>\$92,603,746</b>
Miscellaneous Adjustments	-	-	-	-
Economic Recovery Target	-	-	-	-
Additional State Aid	8,585,843	8,585,843	8,585,843	8,585,843
<b>Total LCFF Entitlement</b>	<b>103,103,304</b>	<b>99,104,512</b>	<b>99,604,372</b>	<b>101,189,589</b>
<b>LCFF Entitlement Per ADA</b>	<b>\$ 13,284</b>	<b>\$ 13,742</b>	<b>\$ 14,164</b>	<b>\$ 14,612</b>
<b>Components of LCFF By Object Code</b>				
State Aid (Object Code 8011)	\$ 8,585,843	\$ 8,585,843	\$ 8,585,843	\$ 8,585,843
EPA (for LCFF Calculation - Resource 1400 / Object Code 8096)	\$ 1,552,333	\$ 1,442,346	\$ 1,406,477	\$ 1,385,051
<i>Local Revenue Sources:</i>				
Property Taxes (Object 8021 to 8089)	\$ 122,705,657	\$ 90,784,549	\$ 95,969,452	\$ 101,466,989
In-Lieu of Property Taxes (Object Code 8096)	-	-	-	-
<i>Property Taxes net of In-Lieu</i>	\$ 122,705,657	\$ 90,784,549	\$ 95,969,452	\$ 101,466,989
<b>TOTAL FUNDING</b>	<b>132,843,833</b>	<b>100,812,738</b>	<b>105,961,772</b>	<b>111,437,883</b>
<b>Enrollment per below</b>	<b>7,487</b>	<b>7,356</b>	<b>7,275</b>	<b>7,230</b>
<b>Total Funding per Student (calculated)</b>	<b>\$ 17,742</b>	<b>\$ 13,705</b>	<b>\$ 14,566</b>	<b>\$ 15,413</b>
<b>Basic Aid Status</b>				
Excess Taxes	\$ 28,188,196	\$ 265,880	\$ 4,950,923	\$ 8,863,244
EPA in Excess to LCFF Funding	\$ 1,552,333	\$ 1,442,346	\$ 1,406,477	\$ 1,385,051
<b>Total LCFF Entitlement</b>	<b>103,103,304</b>	<b>99,104,512</b>	<b>99,604,372</b>	<b>101,189,588</b>

Based on LCFF funding alone, there is an expected drop in per student funding from the current SM-MUSD and the new SMUSD of approximately \$4,000 per student. However, SM-MUSD has significant other unrestricted funds that will remain with SMUSD. As part of the reorganization effort, a calculation was made to determine the overall per pupil unrestricted funding and how much of a contribution from Malibu would be needed to hold the new SMUSD at consistent per student funding. This will be discussed more completely in Criterion #9.

**FIGURE 46  
MUSD LCFF ENTITLEMENT**

	2024-25	2025-26	2026-27	2027-28
<b>SUMMARY OF FUNDING</b>				
<b>General Assumptions</b>				
COLA & Augmentation	1.07%	2.93%	3.08%	3.30%
Base Grant Proration Factor	0.00%	0.00%	0.00%	0.00%
Add-on, ERT & MSA Proration Factor	0.00%	0.00%	0.00%	0.00%
<b>LCFF Entitlement</b>				
Base Grant	\$8,636,188	\$8,889,369	\$9,163,243	\$9,465,525
Grade Span Adjustment	310,827	319,744	329,581	340,549
Supplemental Grant	293,104	307,585	321,236	334,387
Concentration Grant	-	-	-	-
Add-ons: Targeted Instructional Improvement Block Grant	-	-	-	-
Add-ons: Home-to-School Transportation	-	-	-	-
Add-ons: Small School District Bus Replacement Program	-	-	-	-
Add-ons: Transitional Kindergarten	43,078	44,340	45,706	47,214
<b>Total LCFF Entitlement Before Adjustments, ERT &amp; Additional State Aid</b>	<b>\$9,283,197</b>	<b>\$9,561,038</b>	<b>\$9,859,766</b>	<b>\$10,187,675</b>
Miscellaneous Adjustments	-	-	-	-
Economic Recovery Target	-	-	-	-
Additional State Aid	-	-	-	-
<b>Total LCFF Entitlement</b>	<b>9,283,197</b>	<b>9,561,038</b>	<b>9,859,766</b>	<b>10,187,675</b>
<b>LCFF Entitlement Per ADA</b>	<b>\$ 11,688</b>	<b>\$ 12,037</b>	<b>\$ 12,413</b>	<b>\$ 12,826</b>
<b>Components of LCFF By Object Code</b>				
State Aid (Object Code 8011)	\$ -	\$ -	\$ -	\$ -
EPA (for LCFF Calculation - Resource 1400 / Object Code 8012)	\$ 158,857	\$ 158,858	\$ 158,858	\$ 158,858
<i>Local Revenue Sources:</i>				
Property Taxes (Object 8021 to 8089)	\$ 36,811,283	\$ 38,776,637	\$ 40,848,120	\$ 43,031,463
In-Lieu of Property Taxes (Object Code 8096)	-	-	-	-
<i>Property Taxes net of In-Lieu</i>	<i>\$ 36,811,283</i>	<i>\$ 38,776,637</i>	<i>\$ 40,848,120</i>	<i>\$ 43,031,463</i>
<b>TOTAL FUNDING</b>	<b>36,970,140</b>	<b>38,935,495</b>	<b>41,006,978</b>	<b>43,190,320</b>
<b>Enrollment per below</b>	<b>1,016</b>	<b>1,005</b>	<b>993</b>	<b>993</b>
<b>Total Funding per Student (calculated)</b>	<b>\$ 36,406</b>	<b>\$ 38,733</b>	<b>\$ 41,290</b>	<b>\$ 43,480</b>
<b>Basic Aid Status</b>				
Excess Taxes	<i>Basic Aid</i> \$ 27,528,086	<i>Basic Aid</i> \$ 29,215,599	<i>Basic Aid</i> \$ 30,988,354	<i>Basic Aid</i> \$ 32,843,787
EPA in Excess to LCFF Funding	\$ 158,857	\$ 158,858	\$ 158,858	\$ 158,858
<b>Total LCFF Entitlement</b>	<b>9,283,197</b>	<b>9,561,038</b>	<b>9,859,766</b>	<b>10,187,675</b>

When comparing the amount of State aid currently being provided to the School District (\$8.6 million MSA + \$1.8 million EPA) to the calculated, required State Aid for the two new districts, as shown in **Figures 45 and 46**, the new SMUSD and MUSD combined do not require additional State aid as both districts are projected to be Basic Aid.

**Additional State Costs for School Facilities**

As described in the analysis of Criterion #1 and Criterion #7, both the proposed MUSD and the remaining SMUSD are projected to have declining enrollment and will not need to create school capacity as a result of this proposed reorganization. There is sufficient capacity in existing school

sites to house existing and projected student enrollment. Since the reorganization will not change any school attendance boundaries, there is no anticipated need to construct additional school capacity. Therefore, there would not be an increase in State costs for school facilities.

Further, although some of the sites in both the proposed MUSD and the remaining SMUSD may be eligible for State Modernization funding due to the age of buildings, that would not change due to this proposed reorganization. As such, any eligibility that SM-MUSD has for State Modernization funding would remain the same post-reorganization and apply to the future SMUSD and MUSD.

### **Categorical and Special Education Program Costs**

It is not anticipated that this reorganization will generate any additional categorical or special education program costs that would increase the funding required from the State.

### **Special Education Transportation Cost Reimbursement**

It is not anticipated that this reorganization will create any additional transportation routes or increase the special education transportation cost to the State.

### **Necessary Small School Funding**

This proposed reorganization will not create any Necessary Small Schools that would require additional funding from the State.

### **Ability to Meet Feasibility Criterion #5:**

SM-MUSD is currently a Basic Aid district requiring only minimum State aid. Post-reorganization, both the proposed MUSD and the remaining SMUSD are projected to be Basic Aid. As such, there will not be an increased cost to the State related to general State aid.

Further, given the declining enrollment in both reorganized districts and the available capacity at existing school sites, there is no anticipated school facility cost that would result in an increase in costs to the State.

Finally, there are no other anticipated increases in State costs from categorical programs, special education programs or transportation, or the creation of any Necessary Small Schools. As such, it is reasonable to expect that Criterion #5 could be substantially met.

## CRITERION #6: PROMOTING EDUCATIONAL PERFORMANCE

### **Education Code Section 35753(a)(6):**

The proposed reorganization will continue to promote sound education performance and will not significantly disrupt the educational programs in the districts affected by the proposed reorganization.

### **California Code of Regulations, Title 5, Section 18573(a)(5):**

The proposal or petition shall not significantly adversely affect the educational program of districts affected by the proposal or petition. In analyzing the proposal or petition, the California Department of Education shall describe the districtwide programs and the school site programs in schools not a part of the proposal or petition that will be adversely affected by the proposal or petition.

### **Key Findings:**

- Santa Monica and Malibu schools are already independent entities sharing very few resources in terms of academic offerings to students.
- Though Santa Monica High School is a Title 1 school and Malibu High School is not, high school academic outcomes for both schools are remarkably similar, with high graduation rates and low dropout rates.
- Santa Monica students slightly outperform Malibu students on the California Assessment of Student Performance and Progress (CAASPP) and Scholastic Aptitude Test (SAT). In recent years, the difference between Santa Monica and Malibu test scores has widened.
- In several of the CAASPP testing years, there was a larger gap between English Language Arts (ELA) and Math scores in Malibu schools than in Santa Monica schools.

### **Analysis of Criterion #6:**

Improving and focusing the educational program to directly respond to the needs of the Malibu community is a driving factor behind the proposal to separate MUSD from SMUSD. The City of Malibu engaged the services of a highly qualified and respected expert in education to evaluate the educational metrics related to the current SM-MUSD offering and outcomes and make recommendations as to the type of educational program that could be offered by the proposed MUSD. His findings and recommendations are described in this section of the Report.

The educational consultant, Dr. Michael D. Matthews, earned his Bachelor's Degree in International Relations and a Master's Degree in Education at Stanford University. He later earned his

Administrative Services Credential at UC Berkeley and his Doctorate in Education Management at Pepperdine University. During his 37-year career in California public education, Dr. Matthews has served as a high school teacher, a high school principal, an assistant superintendent of human resources, and as a superintendent of schools. He proudly served as the principal of Malibu High School from 1993 to 2004 and is the father of two children who graduated from Malibu High School.

Dr. Matthews utilized data collected through an extensive community-wide visioning process to develop programmatic recommendations that would accurately reflect the desires of the Malibu community. The community-wide visioning process was led by Dr. Judy Chaisson and Holly Sotelo, consultants hired by the City to gather the community of voices regarding the establishment of an independent MUSD through facilitation of focus groups and surveys. The results of this work were memorialized in a report titled, *“Envisioning a Malibu Unified School District: Voices of the Community.”*

**Current Academic Program at SM-MUSD**

Both the Malibu and Santa Monica areas of SM-MUSD have experienced strong academic achievement over the years. While there are a few shared resources, primarily in the areas of elementary music and Special Education, both areas are independent agencies when it comes to academic services provided to students. The distance between the two areas precludes employees from moving from serving Malibu schools to Santa Monica schools in a day. That drive would take an entire preparation period for a teacher on a good day, and that is just one way. Comparing the two independent areas, the high school academic outcomes are remarkably similar, though Santa Monica elementary students outperform those in Malibu elementary schools, particularly in the area of math. An even bigger difference between the two areas manifests itself in the interesting programs offered to Santa Monica students that are not available to Malibu students.

**High School Academic Data.** Although CAASPP scores certainly do not tell the entire story, they are an essential piece of data that must be examined. **Figures 47-E and 47-M** compare high school achievement, in terms of percentages of students scoring as proficient on the 2018-19 CAASPP, in the Santa Monica and Malibu areas:

**FIGURE 47-E**

<b>11<sup>th</sup> Grade ELA CAASPP</b>	<b>Malibu High School</b>	<b>Santa Monica High School</b>
2019	80.3%	81.3%
2022	82.5%	82.1%
2023	69.2%	83.1%
2024	75.6%	83.8%

**FIGURE 47-M**

11 <sup>th</sup> Grade Math CAASPP	Malibu High School	Santa Monica High School
2019	55.4%	56.4%
2022	57.5%	51.1%
2023	32.6%	50.9%
2024	46.5%	56.9%

In terms of ELA, Malibu and Santa Monica students perform well, with just 1% difference between the schools in 2019 and 2022. But in 2023, Malibu High School (MHS) scores dipped, leaving Santa Monica High School (SMHS) having 13% more juniors scoring as proficient. MHS scores improved in 2024, but there is still an 8.2% difference between MHS and SMHS.

Math scores have been a little more volatile for both schools. After scoring similarly in 2019, SMHS experienced a 5% dip in 2022, and 4% more MHS students achieved proficiency. But in 2023, there was a tremendous drop in MHS scores. While there may be an explanation for such a drop, it left only 33% of MHS students scoring proficient. That percentage is below the California average for math scores for that year. In 2023, there was an 18% difference between SMHS and MHS math proficiency. In 2024, that difference was 10%.

Another interesting data set to examine is SAT data. Although the future of the SAT is uncertain, it has long been regarded as the most important statistic that colleges use in deciding to admit students. Without debating the future relevance of the SAT, **Figures 48-E and 48-M** show the data for the two sets of students, as reported by each school’s College Profile.

**FIGURE 48-E**

SAT English	Malibu High School	Santa Monica High School
2019	602	606
2023	588	654

**FIGURE 48-M**

SAT Math	Malibu High School	Santa Monica High School
2019	597	608
2023	561	665

The data for these tests comes from each high school’s *School Profile*, and the profile on Malibu’s website is more up-to-date than that on Santa Monica High’s. It is interesting that in 2019, Santa Monica High’s scores were slightly higher in English and math. And on the more recent tests, Santa Monica High’s scores are *significantly* higher than Malibu High’s scores, particularly in math.

A third set of data to consider comes with Advanced Placement scores. Schools offering advanced course work to students can choose between Advanced Placement (AP) courses or International Baccalaureate (IB) courses. Both MHS and SMHS offer AP courses. **Figure 49** reflects differences in AP programs between the two schools, as reported by each school’s College Profile.

**FIGURE 49 (2021)**

<b>AP Courses</b>	<b>Malibu High School</b>	<b>Santa Monica High School</b>
Number of Courses Taught	17*	20
% Of Seniors Taking AP Courses	54%	49%
% Of AP Tests Scoring 3, 4, or 5	79%	74%

**FIGURE 49 (2024)**

<b>AP Courses</b>	<b>Malibu High School</b>	<b>Santa Monica High School</b>
Number of Courses Taught	17*	22
% Of Seniors Taking AP Courses	Not reported	Not reported
% Of AP Tests Scoring 3, 4, or 5	75%	73%

\* Three different AP Art courses are being taught in the same period, making it a challenging teaching environment.

Malibu students have fewer AP course opportunities than Santa Monica students, while a slightly higher percentage of Malibu students take the AP test than Santa Monica students, and a slightly higher percentage of Malibu students score a 3, 4, or 5 on AP Exams than Santa Monica students. One interesting new development is that the College Board now recognizes 30% of high schools for their work creating AP programs that are delivering results for students while broadening access. Both schools have been honored with this recognition. SMHS earned a gold award, given only to the top 12% of high schools, while MHS received a silver award, earned by the top 21% of high schools. Both schools also earned the *AP Access Award*, "honoring schools that demonstrate a clear and effective commitment to equitable access to advanced coursework."

Finally, both high schools have strong data when it comes to graduation rates and dropout rates. As reported by their 2023 School Accountability Report Cards (SARCs), at SMHS, the adjusted cohort graduation rate was 96.4%, while the four-year dropout rate was 2.0%. At MHS, the adjusted cohort graduation rate was 96.0%, while the four-year dropout rate was 2.0%.

**Middle School Academic Data.** Because there are fewer sources of comparative data in middle school and elementary school, CAASPP scores are the only common data that can be compared. **Figures 50-E and 50-M** compare middle school\* student achievement on the CAASPP, in terms of percentages of students scoring as proficient on the 2018-19 CAASPP, in the Santa Monica and Malibu areas:

**FIGURE 50-E**

ELA CAASPP	Malibu Middle School	Lincoln Middle School (in Santa Monica)	John Adams Middle School (in Santa Monica)
2019	73.1%	79.3%	54.5%
2022	78.1%	80.7%	65.5%
2023	61.8%	78.9%	64.2%
2024	68.7%	79.2%	61.8%

**FIGURE 50-M**

Math CAASPP	Malibu Middle School	Lincoln Middle School (in Santa Monica)	John Adams Middle School (in Santa Monica)
2019	53.8%	69.6%	38.1%
2022	51.4%	64.8%	42.3%
2023	50.6%	60.7%	45.0%
2024	52.1%	64.9%	43.3%

\* This report uses only 8<sup>th</sup> grade achievement because prior to 2019-20, Malibu Middle School scores were reported with Malibu High School.

In 2019, Malibu students scored lower than students at Lincoln Middle School (in Santa Monica), and higher than students at John Adams Middle School (in Santa Monica). Over the last few years, John Adams Middle School’s scores have risen, while Malibu’s and Lincoln’s scores have declined. And in 2023, John Adams Middle School scores in ELA were higher than Malibu’s. The most significant data on this table is the vast gap between students achieving proficiency in ELA when compared to math. In 2019, the gap was only 9.7% at Lincoln, then 16.3% at John Adams, then 19.3% at Malibu. In 2022, the gap was 15.9% at Lincoln, 23.2% at John Adams, and 28.6% at Malibu. In 2024, that gap was only 10.4% at Lincoln, while it was 19.6% at John Adams, and 16.6% at Malibu.

**Elementary School Academic Data.** Again, because there are fewer sources of comparative data in middle school and elementary school, CAASPP scores are the only common data that can be compared. **Figure 51** compares student achievement on the CAASPP, in terms of percentages of students scoring as proficient on the 2018-19 CAASPP at nine schools, the three schools in Malibu (noted as “M” in Figure 51), and seven schools in Santa Monica (noted as “SM” in Figure 51).



**FIGURE 51 (2019)**

2018-19 CAASPP Scores	ELA	Math		Rank by ELA	Rank	Rank by Math
Juan Cabrillo (M)	67.9%	56.6%		Franklin (SM)	1	Franklin (SM)
Point Dume (M)	82.5%	64.1%		Pt. Dume (M)	2	Roosevelt (SM)
Webster (M)	76.0%	69.2%		Roosevelt (SM)	3	Grant (SM)
Edison (SM, Title 1)	71.9%	58.7%		Grant (SM)	4	Webster (M)
Franklin (SM)	90.0%	88.2%		Webster (M)	5	Rogers (SM)
Grant (SM)	78.1%	73.1%		McKinley (SM)	6	Pt. Dume (M)
McKinley (SM, Title 1)	73.7%	62.2%		Edison (SM)	7	McKinley (SM)
Muir (SM, Title 1)	55.8%	42.5%		Cabrillo (M)	8	Edison (SM)
Rogers (SM, Title 1)	66.0%	64.0%		Rogers (SM)	9	Cabrillo (M)
Roosevelt (SM)	81.8%	77.1%		Muir (SM)	10	Muir (SM)

**FIGURE 51 (2023)**

2022-23 CAASPP Scores	ELA	Math		Rank by ELA	Rank	Rank by Math
Juan Cabrillo (M)	Closed	Closed		Franklin (SM)	1	Franklin (SM)
Malibu (M)	68.3%	61.9%		Webster (M)	2	Webster (M)
Webster (M)	79.5%	72.3%		Grant (SM)	3	Grant (SM)
Edison (SM, Title 1)	72.5%	68.7%		Roosevelt (SM)	4	Edison (SM)
Franklin (SM)	84.4%	84.8%		Edison (SM)	5	Roosevelt (SM)
Grant (SM)	73.9%	72.0%		Malibu (M)	6	McKinley (SM)
McKinley (SM, Title 1)	67.7%	62.3%		McKinley (SM)	7	Malibu (M)
Muir (SM, Title 1)	Closed	Closed		Rogers (SM)	8	Rogers (SM)
Rogers (SM, Title 1)	55.7%	48.3%				
Roosevelt (SM)	72.5%	63.6%				

**FIGURE 51 (2024)**

2022-23 CAASP Scores	ELA	Math		Rank by ELA	Rank	Rank by Math
Juan Cabrillo (M)	Closed	Closed		Franklin (SM)	1	Franklin (SM)
Malibu (M)	61.7%	61.0%		Webster (M)	2	Webster (M)
Webster (M)	79.8%	79.5%		Roosevelt (SM)	3	Grant (SM)
Edison (SM, Title 1)	73.8%	69.6%		Grant (SM)	4	Edison (SM)
Franklin (SM)	84.6%	83.4%		Edison (SM)	5	Roosevelt (SM)
Grant (SM)	76.4%	70.1%		McKinley (SM)	6	McKinley (SM)
McKinley (SM, Title 1)	62.8%	62.5%		Malibu (M)	7	Malibu (M)
Muir (SM, Title 1)	Closed	Closed		Rogers (SM)	8	Rogers (SM)
Rogers (SM, Title 1)	55.3%	47.1%				
Roosevelt (SM)	78.0%	69.2%				

There are a few takeaways from this data:

- In 2019 and 2023, there was a significant gap in achievement (9% or more) between math and ELA scores in the Malibu elementary schools.
- The 2024 data shows that the gap between ELA and Math scores in the two Malibu schools has closed. The reason for that at Malibu Elementary is because ELA scores have dropped. Malibu Elementary School now has the second lowest ELA and Math scores in the District.

**Conclusions from Academic Data Review.** From the outside looking in, it is easy to assume that Malibu and Santa Monica are both exotic communities where stars live and play. But that is not the reality. This study does not address the perception of the Malibu and Santa Monica lifestyle; it addresses the schools, the students, the employees, and the parents invested in the schools. All of the schools in SM-MUSD, both Santa Monica schools and Malibu schools, have students who require significant support.

But this data reveals that there are significant challenges in Malibu, and those require particular attention:

- Though Santa Monica High School is a Title 1 school and Malibu High School is not, Santa Monica students achieve at a significantly higher rate than those in Malibu.
- Scores in Malibu schools are declining at a faster rate than scores in Santa Monica schools, and though they may be a short-term aberration, recent declines in math scores at Malibu High School are particularly alarming.

Both Malibu and Santa Monica are communities that have the resources to provide a world class education for their students. Seeing such a difference between the achievement in the two communities leads us to believe that more attention should be given to teaching and learning in the Malibu schools. Whatever the reasons are for this, the Malibu community firmly believes that a new Malibu Unified School District would focus on what is and is not working in the Malibu schools and take the necessary steps to improve student achievement.

### **Program Quality Of Academic Courses In Santa Monica And Malibu**

All Malibu and Santa Monica schools offer high quality academic programming for students in traditional grades and traditional subjects. Yet there are several areas where, due to a variety of factors, there are fewer course selections offered to Malibu students than are offered to Santa Monica students. In examining the *Envisioning a Malibu Unified School District: Voices of the Community* Report, the Malibu community would like Malibu students to access many new programs already available to students in Santa Monica, including:

- Career Technical Education (CTE) Opportunities
- Expanded Advanced Placement or International Baccalaureate Opportunities
- Language Immersion Program
- Alternative Elementary School Configurations
- Elementary Arts
- Alternative/Independent Study/Continuation School Options for Students

Beyond the traditional academic classes offered to all SM-MUSD students, there are several programs offered only to Santa Monica students that should be explored and possibly offered to Malibu students. Through school district reorganization, Malibu students could receive a richer, specialized and more targeted curriculum with increased course offerings. This would likely result in higher academic achievement and better preparedness for college and the workforce.

**Career Technical Education.** One of the best aspects of the high school program in Santa Monica is the Career Technical Education (CTE) program. This long-standing program has provided CTE (formerly known as ROP) opportunities to Santa Monica students for decades. For a variety of reasons, primarily geographical, students who live in Malibu have not been able to participate in those classes. The SM-MUSD website describes the robust CTE offerings available to students, but **all** of the CTE pathways and courses are offered only at Santa Monica High School.

While the smaller size of Malibu High School means that the same breadth of courses may not be possible, and while the talents and expertise in the Malibu community may differ from that of the Santa Monica community, much more could be offered to the students of Malibu. One of the recommendations for the new MUSD Board of Education will be creating CTE Pathways offerings for Malibu students. According to the *Envisioning a Malibu Unified School District: Voices of the Community* Report, the Community would like to see a Multimedia CTE pathway and a more defined Engineering CTE pathway. The robust Santa Monica CTE program could continue without suffering, and a new and more limited Malibu program would be a welcome addition. Although Malibu High

School is a relatively small school, the proposed MUSD would have sufficient resources for such a program and could create the facilities needed to support this type of program.

**Advanced Placement (AP) vs. International Baccalaureate (IB).** As described in the Envisioning a Malibu Unified School District: Voices of the Community Report, many in the community would like the proposed MUSD Board of Trustees to examine both the IB program and the AP program. There is some frustration among students and parents about AP courses not offered at Malibu High School. One of the challenges of being a small school is that curricular choices can be more limited than in larger schools. The new MUSD Board would need to determine if Malibu High School would move from an AP school, where students can choose which AP courses to take, or become an IB school, where students take the same pathways that students around the world are taking. In either case, some additional funds would be needed to provide the courses for students.

The AP program at Santa Monica High School would not suffer as a result of the proposed separation, as they have the student enrollment to fill a wide variety of classes.

**Language Immersion Programs.** The Envisioning a Malibu Unified School District: Voices of the Community Report details interest in a language immersion program beginning in elementary school. The success of the Edison Language Academy in Santa Monica has demonstrated that students enrolled in a language immersion program not only become fluent in a second language, but their language skills in their native language improve as much or higher than students in non-immersion programs.

It would be challenging to have an entire elementary school devoted to dual-language immersion, but one of the elementary schools could definitely build a program with one bilingual teacher at each grade level. Such a program could only be implemented if the parental demand for the classes was sufficient to offer one teacher at each grade level at one of the schools. While there would be some additional funding necessary for startup costs, the eventual costs should mirror the expenses at the Edison Language Academy in Santa Monica, and the thriving Edison Language Academy would not be harmed by the new addition in Malibu.

**Restructuring Elementary Schools to Provide More Opportunities for Students.** Over the past decade, enrollment has declined in Malibu's elementary schools. Juan Cabrillo Elementary School closed in 2019, and their students joined the former Point Dume Elementary School to become Malibu Elementary School. That leaves two elementary schools in Malibu: Malibu Elementary and Webster Elementary. But both schools are still relatively small, which makes for challenging staffing that results in a higher percentage of grade combination classes than most elementary schools offer. One option for staff and the proposed MUSD Board of Education to consider would be the possibility of having all students in grades TK-2 attend one of the elementary schools and having all students in grades 3-5 attend the other. Having more students in each grade would provide more social opportunities for students, better staffing ratios for staff, and more academic options for students.

While there are clear academic advantages to this, it would inconvenience families in terms of transportation and proximity to their children’s schools. This would be yet another matter for the proposed MUSD Board of Education to determine after garnering input from the Malibu community.

**Elementary Arts.** The SM-MUSD Elementary Music Program is the gold standard for elementary music programs in California. Input from Malibu stakeholders has been strongly in favor of ensuring Malibu students have access to not only a high quality music program, but also to provide a more complete visual and performing arts (VAPA) experience from TK-12. The proposed MUSD Board of Education will need to examine what is possible, using District funding, local fundraising, and resources from the Malibu community where the arts are a high priority. Again, because the music program is a SM-MUSD district office program, and because there are fewer schools and students to serve, there would need to be a commensurate reduction in the remaining SMUSD music department, and that staffing would presumably become part of the proposed MUSD district office staffing.

**Continuation/Alternative/Independent Study School.** Students in Santa Monica and Malibu have long had access to Olympic Continuation High School. While the enrollment at Olympic has been on the decline, it has always been important for students, especially high school students not experiencing success in a traditional school setting, to have options. While Santa Monica elementary and middle students have long had access to the Santa Monica Alternative Schoolhouse (SMASH), Malibu students have not. Malibu students have access to an independent study program, which does meet the needs of some students. Beginning in 2019, Olympic is now one of several alternative experiences housed under the new Barack and Michelle Obama Center of Inquiry and Exploration. The Obama Center includes an independent study program, and the new Personalized Learning Project Based Learning Pathway, which accepts 100 students a year.

Having local options for Malibu students would provide the necessary support for Malibu students looking for a different pathway towards success. Because there is no full Santa Monica College (SMC) option in Malibu, the proposed MUSD Board of Education may seek to establish an online-based relationship with SMC or some other college to provide independent options for Malibu students.

The alternative programs housed in the Barack and Michelle Obama Center of Inquiry and Exploration and the program at SMASH will not be impacted, as student enrollment should not be diminished by the separation of the two districts.

**Students With Disabilities.** One of the non-negotiables in this separation effort is that it will have no bearing on Malibu students with disabilities. Each and every student in the SM-MUSD Special Education program is being provided with agreed-upon accommodations and modifications that are spelled out in each student’s Individualized Educational Program (IEP). Whether SM-MUSD continues intact, or MUSD and SMUSD are the new entities, each district will continue to implement the legally required and agreed-upon IEPs.

SM-MUSD currently partners with Beverly Hills and Culver City school districts to share resources to help meet the needs of all students with disabilities. Together, this Tri-City Special Education Local Plan Area (SELPA) collaborates to coordinate resources and provide other support that is needed to support all students. While the name even now should be the Four-City SELPA, Malibu schools have a long tradition of being part of this cooperative, and Malibu students have benefited from this SELPA. The proposed MUSD Board of Education could continue in that SELPA, or they could petition to join the Ventura County SELPA. Las Virgenes Unified School District is another Los Angeles County school district in that SELPA.

Whatever the decision, everyone is clear that the proposed MUSD will do what is necessary to properly implement each student's IEP and the remaining SMUSD will be able to continue to implement each student's IEP.

**English Learner Students And Their Families.** There is a decline in the percentage of English Learner (EL) students in as they move from elementary to middle to high school. In elementary school, EL students comprise approximately 8% of the school population. In middle and high school, that percentage is reduced to 6%. One of the critical questions for the new MUSD Board is to examine how to support EL students in every step of their journey.

One of the reasons for the dramatic decrease in Malibu secondary schools could be the lack of support classes for EL students. Between both Malibu High School and Malibu Middle School, there is only one middle school class devoted to supporting EL students. There are no after school support systems for EL students. High school is challenging, and the proposed MUSD would seek to provide the support EL students need to learn English and to thrive in high school courses.

MUSD would take the steps and allocate the budget necessary to better meet the needs of EL students and their families in elementary, middle, and high schools, offering multiple opportunities during and after the school day for EL students to receive the support they need to succeed. In addition, the proposed MUSD District Office will need to regularly provide high quality professional development to help all teachers provide EL students with the most effective teaching strategies and learning environment.

The proposed reorganization would have no impact on the EL students at Santa Monica area schools.

**Providing a Local Supportive District Office.** As described above, the proposed MUSD Board will need to examine the reasons behind the discrepancy between math scores in Santa Monica and math scores in Malibu. Whatever the reason, this report recommends that the proposed MUSD Board seek the input of teachers and take steps to implement a high-quality long-term math professional development program. As reported by teachers in the *Envisioning a Malibu Unified School District: Voices of the Community Report*, professional development offerings from a district office so far away can be problematic for Malibu teachers. The proposed MUSD can offer long-term nearby district office support that uses Malibu student achievement data and the valuable input of Malibu teachers.

The 40-minute drive (without significant traffic) between most of the Malibu schools and the SM-MUSD district office creates challenges in areas where district support is critical. While the quality of support in the SM-MUSD District Office is very high, the distance makes it challenging to effectively utilize that support for Malibu school site staff. Malibu principals must be one hour away from campus for any principal meetings or professional development sessions. Every principal knows that the next crisis could happen any time, and to be that far away from being able to provide support is stressful. For Malibu teachers to attend an after school or partial day professional development session is equally challenging, as the distance and the unpredictable driving times mean that Malibu teachers are missing more valuable class time than more local Santa Monica teachers. And while teachers appreciate quality professional development opportunities, no teacher wants to be out of the classroom more than is absolutely necessary.

Although it does not relate to academics, a local district office could be more supportive in every area, including areas such as payroll, human resources, maintenance and operations, and student services. Currently, Santa Monica houses all district-wide programs in SM-MUSD. Because there would be a reduction in the number of schools, employees, and students served, the remaining SMUSD District Office staffing and funding would need to be decreased from the current level of funding. Conversely, the proposed MUSD District Office would need to be created and appropriately staffed.

### **Community Visioning Survey Data**

A review of the outcomes of the survey data found in *Envisioning a Malibu Unified School District: Voices of the Community* by Judy Chiasson, PhD, and Holly Priebe Sotelo, MSW shows overwhelming local support for an independent MUSD. The report identifies findings in three key areas that are summarized in more detail below:

- Pillars of Leadership Primary Values
- Pillars of Student Success
- Pillars for Academic Programming

In January 2022, the City of Malibu received a report on the findings from its survey of the Malibu community. The survey was offered in English and Spanish, and there was good response to the survey with 517 respondents. In addition, Dr. Chiasson and Ms. Sotelo held seven focus group meetings, speaking to 88 community members in depth. Some facts about the respondents include:

- 67% identified as White.
- 28% of respondents were Spanish speakers.
- 97% lived in Malibu, worked in Malibu, or had children attending a Malibu school.
- 91% of those surveyed fully endorsed the establishment of an independent MUSD.
- Of the remaining 9%, half opposed, and half were undecided.
- The most prevalent reason for being opposed to a new MUSD was the concern that the new district would not have sufficient financial resources.
- 16% of respondents had children who receive special education services.

Of the 91% in favor of an independent MUSD, they supported it for the following reasons:

- **Local Control and Accountability.** Having only one Malibu board member currently serving on the seven-member SM-MUSD Board, and not always having Board representation at all, has placed Malibu in an extreme minority. Residents want much more of a voice in the design and oversight of local schools.
- **Inequity.** Santa Monica facilities are far better than Malibu facilities. Santa Monica students have access to far more academic offerings than Malibu students. Revenue from Malibu property is routed to Santa Monica in such a way that those inequities are not remedied.
- **Lack of Caring.** Respondents felt that SM-MUSD leaders, with the exception of those from Malibu, have been insensitive to or dismissive of Malibu's needs.
- **Distant and Distinct Communities.** Respondents expressed that the needs of a semi-rural Malibu are far different than those an urban and suburban Santa Monica. The distance between the two communities, and the traffic that exacerbates that distance, prevents students in the two communities from accessing resources in the other community.

As mentioned above, stakeholder input from the *Envisioning a Malibu Unified School District: Voices of the Community* Report, teachers commented on the challenges of being supported by a District that is 21 miles away, but in reality, a 40-minute to 60-minute drive, depending on traffic. The proposed MUSD Educational Services Department would require a budget that targets improving TK-12 math instruction. While the proposed MUSD Board of Education could begin by using the same curriculum and materials approved by the SM-MUSD Board of Education, they would have the option to get recommendations from teachers and input from the community to enhance or update those materials. Having a well-supported and local Educational Services Department could provide teachers with the support they need to implement the best practices consistently in all classrooms.

The following summarizes the **hopes and desires** of the Malibu community for a new MUSD as described in the *Envisioning a Malibu Unified School District: Voices of the Community* Report.

The **Pillars for Leadership Primary Values** of a new MUSD, according to respondents, include:

- **Transparency in Decision Making:** Transparency in decision making requires robust internal and external disclosures, an open book policy, regular communication to stakeholders, and a Superintendent and Board Members who are accessible. It includes the entire Malibu community collaborating in a shared process of decision-making in conflict engagement with an ombudsperson to facilitate the process while following the Brown Act.
- **Responsiveness to Families:** Malibu prioritizes family engagement throughout all processes and recognizes them as partners in their child's learning and development. All stakeholders – family, students, staff, community – have a seat at the table where their needs are taken into account and where unity and diversity are recognized. Stakeholders feel seen, appreciated, valued, and acknowledged. The School Site Council meetings are recognized as vital arteries for the family-school engagement process.
- **Fiscal Responsibility:** We believe in balanced budgets and living within our means. We believe in creative solutions to financial hurdles and antiquated school programs. Fiscal decisions should be made in a transparent, responsible manner with community input. Our fiscal priorities are the classroom and a fair and equitable salary structure for teachers.
- **Responsiveness to Employees:** School employees are vitally important parts of the community and the culture of education. Both certificated and classified staff should have a



strong voice and regular opportunities to engage with leadership. We believe in professional development and encourage teachers to express new ideas.

- **Effective Communication:** Malibu leaders are direct, good communicators who share information in a digestible and accessible way, so the community is fully informed about the decisions that are under consideration.

The **Pillars for Student Success** of a new MUSD, according to respondents, include:

- **Social Justice Advocacy:** We believe in developing and implementing a more socially just society by focusing on identity, diversity, justice, and action; and by using the social justice standards throughout every area of school experience at all grade levels.
- **Visual and Performing Arts:** Creative exploration is a vehicle for learning and enriches students with the ability to see the beauty of the world, the beauty in others, and the beauty in themselves. Malibu prides itself on its world class visual and performing arts we achieve through active participation from local music and arts professionals across the K-12 spectrum.
- **Athletics:** Sports, athletics, and physical activity are part of a healthy lifestyle. We emphasize individual and collective athletics from the earliest grades – to develop mind, spirit, and body and build well-rounded adults able to achieve individually and work well collaboratively. Malibu’s world class facilities will help to recruit and retain top-tier staff.
- **Language Skills:** Malibu is a part of the global society and recognizes the value of being multilingual. We offer immersive and collaborative language learning opportunities through students’ academic years. Our English Language Learners are strongly supported to ensure English proficiency and academic success.
- **Think Global and Act Local:** Malibu students are future global leaders who will develop into positive contributors to society and accurately practice mindfulness at the local level. Our project-based learning is built on the principles of TIDES – Technology, Innovation, Design, Enterprise, and Sustainability.

The **Pillars for Academic Programming** of a new MUSD, according to respondents, include:

- **Specialized Academies:** Specialized academies offer unique learning opportunities for students. Malibu’s academies could include STEM, including Marine Sciences or Engineering, Language Immersion, or Multimedia.
- **Independent Study:** Independent study is an option for students who need flexibility, such as actors, dancers, artists, and athletes. A dedicated coordinator actively checks with students on their progress and needs
- **International Baccalaureate:** Malibu is very interested in exploring an International Baccalaureate program and wishes to offer alternatives to Advanced Placement for secondary achievement.
- **Multimedia Production:** Malibu is proud of its state-of-the-art theater, arts, and multimedia production program. Our program is enhanced by the generosity and support of community mentors and providers.

### **Advantages Of A Locally Controlled School District**

A locally controlled school district will have the following advantages:

- True representation of the Malibu community

- More understandable budgets
- Finalization of steps already taken that recognize the unique nature of the Malibu pathway and community

The political advantages of a locally controlled district are easy to see. For the first time, Malibu residents will have representation on a school board that is responsive and accountable to the citizens of Malibu. No longer will Malibu have a lone representative (or sometimes no representatives for years at a time) on a school board. No longer will most or all of the other school board members live 15-20 miles away from Malibu schools. PTA Council meetings will not be so distant from the Malibu PTA leaders. Not only will this make the citizens of the community feel more connected to the school district, and not only will that connection lead to increased volunteerism, but it will also help employees feel more connected as well.

The economic advantages of a locally controlled district revolve around a simpler budget that is more understandable. No longer will there be questions from either Santa Monica or Malibu residents about whether either community is receiving as much as they should or more than they should. School district budgets are public, but that does not make them simple to understand. No longer will there be questions about the distance being the cause of overdue work orders. No longer will there be questions over whether the decision not to hire an additional employee is in line with decisions being made in schools in the other community. The lack of representation, and Malibu's distance from the district office, invites these questions and more.

SM-MUSD has already taken steps that acknowledge the unique needs of the Malibu and Santa Monica communities and pave the way for this separation. For example, the most recent bond elections were organized with this separation in mind. In 2024, Santa Monica voters passed a \$495 million Santa Monica-only bond (Measure QS), and Malibu voters passed a \$395 Malibu-only bond (Measure MM). The previous bond measures from 2018 also were passed separately in each community.

Also in 2018, the Santa Monica-Malibu Education Foundation (SMMEF) became the Santa Monica Education Foundation (SMEF), dedicated to raising funds only for the Santa Monica community. According to the SMEF website, *"On June 28, 2018, the School Board approved a revision to Board Policy 3290 that changed the structure of fundraising in our district. It designated the Ed Foundation to raise funds for district-approved programs in Santa Monica schools and authorized a separate Malibu-based nonprofit to raise funds for the same programs in Malibu schools."* Eventually, in April 2024, Malibu formed its own educational foundation to support local initiatives.

For decades, there have been three educational pathways in SM-MUSD. The John Adams and Lincoln Pathways all lead to Santa Monica High School, while the Malibu Pathway leads to Malibu High School. The SM-MUSD organizational structure reflects these divisions and the unique needs of each pathway. With the proposed school district reorganization, the Malibu community will be able to make decisions related to its own pathway and improve the educational program offerings available to its own students.

**Ability to Meet Feasibility Criterion #6:**

The proposed unification will not alter the school attendance boundaries, and each future reorganized district will have sufficient per pupil funding to continue to at least offer the educational programs currently offered at existing school sites. It is reasonable to expect that the proposed reorganization will not significantly disrupt the educational programs in the affected districts and will continue to promote sound educational performance. Further, the reorganization will provide the proposed MUSD with an opportunity to focus upon and enhance the programs offered, as well as provide programs specifically desired by the Malibu community. Therefore, it is reasonable to expect that Criterion #6 can be substantially met.

## CRITERION #7: SCHOOL HOUSING COSTS

### **Education Code Section 35753(a)(7):**

Any increase in school facilities costs as a result of the proposed reorganization will be insignificant and otherwise incidental to the reorganization.

### **Key Findings:**

- There is no anticipated increase in school facilities cost since the reorganization will not alter the school attendance boundaries and there is sufficient space on campuses to house existing students.
  - With projected declining enrollment, there is not an anticipated future capacity need.
- The proposed MUSD would need to create space for Independent Study and Alternative Education programs.
  - With the available space on the Malibu Middle/Malibu High campus, it is anticipated that such space can be created using existing facilities.
- A new MUSD would need to create a District Administrative Office, with other support spaces such as a Maintenance/Operations/Transportation facility, technology center, and central kitchen.
  - It is anticipated that all of these facilities can be created on the existing Malibu Elementary campus with minimal facilities costs.

### **Analysis of Criterion #7:**

As previously stated, the proposed reorganization will not alter the school attendance boundaries for any campus. SM-MUSD currently has the capacity to accommodate all students in its existing facilities and is expected to be able to continue to do so with projected declining enrollment. As such, there is no expected increase in school facilities cost to accommodate the future student population of either the proposed MUSD or the remaining SMUSD.

**Figure 52** shows the current enrollment at each school site and the estimated school site capacity. The capacity of each site was determined based on the State loading standards of 25 students per classroom for Kindergarten through 6<sup>th</sup> grade and 27 students per classroom for 7<sup>th</sup> through 12<sup>th</sup> grade. The proposed MUSD would have an estimated capacity for 2,345 students, and the remaining SMUSD would have an estimated capacity for 10,076 students.

**FIGURE 52**

<b>School Site Enrollment and Estimated Capacity</b>		
<b>School Site</b>	<b>2023-24 Enrollment</b>	<b>Estimated Capacity</b>
<b>Malibu Unified School District</b>		
Malibu Elementary	191	425
Webster Elementary	205	525
Malibu Middle	247	620
Malibu High	390	1,000
<b>Total Malibu Unified School District</b>	<b>1,033</b>	<b>2,570</b>
<b>Santa Monica Unified School District*</b>		
Edison Language Academy	395	475
Franklin Elementary	612	700
Grant Elementary	570	600
McKinley Elementary	393	475
Roosevelt Elementary	588	850
Santa Monica Alternative School House	219	275
Will Rogers Elementary	523	550
John Adams Middle	808	1,080
Lincoln Middle	884	1,300
Olympic High	32	190
Santa Monica High	2,573	3,190
<b>Total Santa Monica Unified School District</b>	<b>7,597</b>	<b>9,685</b>
* Does not include Independent Study and Non-Public School totalling 11 students.		

Source: Santa Monica-Malibu Unified School District.

The proposed MUSD does not have an alternative school within its boundaries. To accommodate those students who require alternative schooling, there may be a need to reconfigure some classrooms on the existing high school site in order to accommodate alternative education programs in the future. Given the available space on the Malibu High/Malibu Middle School campus, it is reasonable to expect that alternative education classrooms could be located there without an additional facility cost by utilizing some of the existing classrooms on site. Some classrooms on the High School campus could also be used for an Independent Study program.

A new MUSD would need to create an administrative space for District Office staff as well as a maintenance yard and central kitchen. MUSD could utilize existing portables that are currently located on the Malibu High/Middle School campus and relocate them to the Malibu Elementary School campus without a significant facilities cost. This will create sufficient space to accommodate the MUSD district office staff positions that are budgeted in the proposed MUSD budget.

The existing Cafetorium at Malibu High/Middle School can be used as a central kitchen for MUSD.

**Bonding Capacity**

As part of the assessment of school housing costs, the CDE Handbook indicates that consideration should be given to the bonding capacity of the reorganized districts. Bonding capacity of a unified school district is equal to 2.5% of its total assessed value. As shown in **Figure 53**, both the proposed MUSD and the remaining SMUSD would have significant remaining bonding capacity post-reorganization, even accounting for the \$1.1 billion of bonds outstanding.

**FIGURE 53**

<b>Bonding Capacity</b>			
	<b>Current Capacity Santa Monica-Malibu USD</b>	<b>New Capacity Malibu USD*</b>	<b>New Capacity Santa Monica USD**</b>
2024-25 Assessed Value	\$50,946,893,301	\$27,211,829,327	\$50,904,714,966
Bonding Capacity (AV x 2.5%)	\$1,273,672,333	\$680,295,733	\$1,272,617,874
Outstanding Bonds	\$1,098,535,103	\$420,849,983	\$677,685,120
Net Bonding Capacity	\$175,137,230	\$259,445,750	\$594,932,754

\*Includes all bonds outstanding for SFID No. 2 Election 2018 and a pro rata share of all Districtwide bonds.  
 \*\* Includes all bonds outstanding for SFID No. 1 Election 2018 and a pro rata share of all Districtwide bonds.

Source: Los Angeles County Auditor-Controller.

**Developer Fees**

Another consideration described in the CDE Handbook is the impact the proposed reorganization may have on income from developer fees. The remaining SMUSD will continue to collect developer fees from residential and non-residential new construction within its boundaries. Since developer fees are calculated based on how much available capacity a school district has to accommodate the anticipated students from the development, with the elimination of Malibu area schools, SMUSD may find it easier to justify a developer fee. Essentially, the Malibu schools have a significant amount of available capacity. This available capacity reduces the amount that a district can justify collecting from new development as new school capacity is not needed to accommodate students from new development. However, developer fees for schools in California are capped at a statutory maximum. So, it is likely that there will be no change in the amount of fees that SMUSD can ultimately charge.

For MUSD, there is significant available capacity to accommodate students and a community with minimal plans for development. The proposed MUSD may not be able to even justify charging a developer fee as it is unlikely the new district will be spending money on new school capacity.

**Condition of Existing Facilities**

The CDE Handbook indicates that the condition of school facilities should be considered as part of the analysis for Criterion #7. The analysis related to Criterion #3 in this report described the City of Malibu’s assessment of its existing facilities. Essentially, the Malibu schools are in relatively good condition and current improvement plans will address any concerns identified, specifically at Malibu

High/Middle School. It is not anticipated that a significant financial investment will be needed to modernize Malibu schools beyond the currently planned SFID No. 2 bond projects.

### **State School Facility Program**

Finally, the CDE Handbook states that it should be determined how the loss and gain of pupils will affect the school districts' eligibility for the State School Facility Program. Eligibility for the State School Facility Program New Construction funding is based on a school district's need to build additional capacity to house students. With a declining enrollment district, it is unlikely that SM-MUSD has much, if any, eligibility for State New Construction funding. The proposed reorganization will not change either the MUSD's or SMUSD's eligibility for new construction funding.

The State Modernization program funding is based on the age of facilities to be modernized. If permanent buildings are 25 years old or older and portable classrooms are 20 years old or older, they likely have eligibility for State Modernization funding. The age of the school buildings will not change with the proposed reorganization. The modernization eligibility for Malibu area schools would be transferred to the proposed MUSD and the modernization eligibility for Santa Monica area schools would stay with SMUSD. No changes in the eligibility amount would occur due to this proposed reorganization.

### **Ability to Meet Feasibility Criterion #7:**

Reorganization will not impact the school attendance boundaries of the existing District and school site capacity at each site is currently sufficient to house existing students. With declining enrollment at both reorganized districts, it is not anticipated that additional school capacity will be needed. Further, although the proposed MUSD will need classroom space to accommodate alternative education students, it is expected that this can be accomplished on the existing Malibu Middle/Malibu High School campus. Only minimal facilities expenditure is anticipated to create the support facilities needed for a new school district and this can be completed on the Malibu Elementary campus. Therefore, it is reasonable to expect that Criterion #7 can be substantially met.

## CRITERION #8: PROPERTY VALUES

### **Education Code Section 35753(a)(8):**

The proposed reorganization is primarily designed for purposes other than to significantly increase property values.

### **Key Findings:**

- There is no indication that a significant increase in property values will result as a product of the reorganization.
  - Although property values in the Malibu area are high, the reorganization itself will not drive further increases in property values as the Malibu area has other independent factors driving the high property values.
  - Further, property values in Santa Monica are high as well compared to the State average and are not dependent on the Malibu area for these high property values.

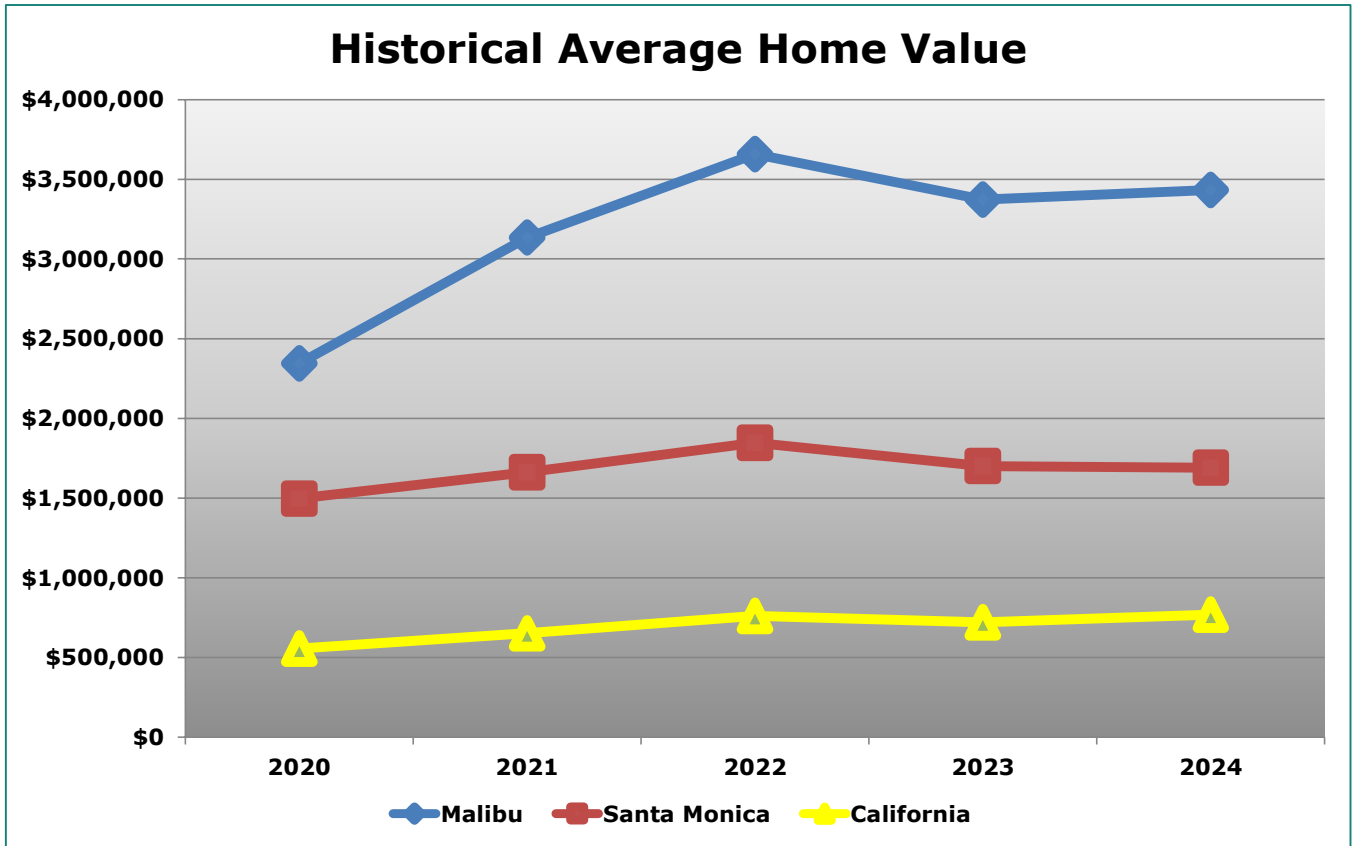
### **Analysis of Criterion #8:**

While there are certainly areas of contrast between the two cities, because the attendance areas for the proposed districts are not changing from those currently in place, it is unlikely that property values will experience any significant changes as a result of the reorganization. Additionally, since school quality is relatively consistent across both attendance areas, concerns regarding this criterion are minimal.

Property values, both assessed value and market value, are high in both the Malibu and Santa Monica areas. Santa Monica is home to one of the priciest zip codes in the entire country and the second priciest zip code in Los Angeles County behind only Beverly Hills. Based on a report released by Forbes in March 2024, Santa Monica zip code 90402 ranks #8 nationally and #5 in California with a median sales price of \$4.058 million. Malibu, also a community comprised of high value homes, ranked #21 nationally and #16 in California with a median sales price of \$3.25 million. Post-reorganization, it is reasonable to expect that both communities will maintain their high property values due to their relative location as Southern California coastal communities. **Figure 54** shows the average home value in both communities over the past five years.



FIGURE 54



Source: Zillow, Home Values Index, October 2024.

The average residential assessed value in both Malibu and Santa Monica are also relatively high, with the average assessed value per parcel at \$2.7 million per parcel in Malibu and approximately \$2.1 million per parcel in Santa Monica. By comparison, the average assessed value per parcel in Los Angeles County is approximately \$848,000.

**Ability to Meet Criterion #8:**

With property values already high in both areas of the District, there is no evidence to suggest that property values would further increase as a result of the proposed reorganization. Further, there is no indication that the City of Malibu, as the petitioner, aims to increase property values through this proposal. Therefore, it is reasonable to expect that Criterion #8 will be substantially met.

## CRITERION #9: SOUND FISCAL MANAGEMENT

### **Education Code Section 35753(a)(9):**

The proposed reorganization will continue to promote sound fiscal management and not cause a substantial negative effect on the fiscal status of the proposed district or any existing district affected by the proposed reorganization.

### **Key Findings:**

- SM-MUSD is currently Basic Aid, operating with \$193 million of Unrestricted General Fund revenues.
  - These revenue sources are comprised of over \$127.5 million of LCFF sources, mostly property taxes, plus almost \$62.6 million of Other Local Revenues. Almost all of the Other Local Revenues will be retained by SMUSD post-reorganization.
- The City of Malibu proposes a tax exchange to temporarily transfer a portion of MUSD’s property taxes to SMUSD to provide per pupil funding commensurate with funding levels of SM-MUSD prior to separation.
- SM-MUSD has demonstrated an ability to educate students at current per pupil funding levels, realizing an Unrestricted General Fund surplus of approximately \$26 million in 2023-24.
  - This surplus is equal to 21% of SM-MUSD’s Unrestricted General Fund Expenditures.
- With funding at almost \$32,000 per student for the proposed MUSD and over \$21,000 per student for the remaining SMUSD, both districts will be in the top 5 in per student funding of unified districts in all of Los Angeles County.
  - They will both be funded well above the average unified school district funding level in Los Angeles County of \$15,200 per student.
- Given the relatively high unrestricted funding levels, both districts can reasonably expect to be fiscally solvent post-reorganization.

### **Analysis of Criterion #9:**

For 2023-24, SM-MUSD received \$193 million of Unrestricted General Fund revenues, as shown in **Figure 55**. These revenues are comprised of over \$127.5 million of LCFF Sources and \$62.6 million of Other Local Revenues, which is far in excess of what most school districts receive. The Other Local Revenues include:

- District-wide Parcel Tax
- Santa Monica Redevelopment Agency Pass-Through Tax

- City of Santa Monica Sales Tax
- City of Santa Monica Joint Use Tax
- City of Santa Monica Property Transfer Tax
- Other Leases and Rentals

These funding sources would need to be permanently allocated to the two reorganized districts. The only local tax that is generated partially in Malibu is the parcel tax. As it is a flat tax assigned to each parcel, it is relatively easy to calculate the revenue attributable to each jurisdiction. Based on the number of parcels in each new district, 70% of the parcel tax revenue would go to Santa Monica, and 30% would go to Malibu. It is understood that there is uncertainty related to whether the proposed MUSD would be able to continue receipt of the parcel tax post-reorganization. The City has investigated special legislation to enable the parcel tax to continue, otherwise the parcel tax could be reauthorized as part of the ballot measure related to this proposed reorganization. The parcel tax would continue for the remaining SMUSD post-reorganization.

Most of the other local revenues will accrue only to the remaining SMUSD. That would provide the remaining SMUSD with over \$50 million of Other Local Revenues beyond their LCFF entitlement, as shown in **Figure 55**.

**FIGURE 55**

<b>2023-24 SM-MUSD General Fund Unaudited Actuals</b>			
<b>Revenues</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
LCFF Sources	\$127,495,999	\$0	\$127,495,999
Federal Revenue	\$0	\$5,465,309	\$5,465,309
Other State Revenue	\$2,565,172	\$2,757,892	\$5,323,064
Other Local Revenue	\$62,693,793	\$14,359,882	\$77,053,675
<b>Total Revenue</b>	<b>\$192,754,964</b>	<b>\$22,583,083</b>	<b>\$215,338,048</b>
<b>Expenditures</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
Certificated Salaries	\$54,498,392	\$14,583,241	\$69,081,633
Classified Salaries	\$22,659,906	\$13,121,620	\$35,781,526
Employee Benefits	\$32,976,581	\$13,141,912	\$46,118,493
Books and Supplies	\$2,062,195	\$2,794,605	\$4,856,800
Services & Other Operating Costs	\$15,477,670	\$16,545,763	\$32,023,433
Capital Outlay	\$1,024,360	\$94,465	\$1,118,825
Other Outgo	(\$1,598,704)	\$4,524,813	\$2,926,109
<b>Total Expenditures</b>	<b>\$127,100,400</b>	<b>\$64,806,419</b>	<b>\$191,906,818</b>
<b>Excess (Deficiency) of Revenues to Expenditures</b>	<b>\$65,654,565</b>	<b>(\$42,223,335)</b>	<b>\$23,431,229</b>
<b>Other Financing Sources/Uses</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
Interfund Transfers	(\$2,600,000)	\$0	(\$2,600,000)
Other Sources	\$0	\$0	\$0
Contributions	(\$36,773,016)	\$36,773,016	\$0
<b>Total Other Financing Sources</b>	<b>(\$39,373,016)</b>	<b>\$36,773,016</b>	<b>(\$2,600,000)</b>
Net Increase (Decrease) in Fund Balance	<b>\$26,281,548</b>	(\$5,450,319)	\$20,831,229
Beginning Balance	\$30,327,915.6	\$21,605,917	\$51,933,833
<b>Ending Fund Balance June 30, 2024</b>	<b>\$56,609,464</b>	<b>\$16,155,598</b>	<b>\$72,765,062</b>

Source: Santa Monica-Malibu Unified School District 2023-24 Unaudited Actual Financial Statements.

SM-MUSD’s 2024-25 Budget reflects a positive ending balance for the combined General Fund (restricted and unrestricted funds), although SM-MUSD is budgeting deficit spending, just as it has budgeted for at least the past decade. SM-MUSD’s Adopted Budgets and Interim Reports demonstrate deficit spending, but in several cases the Unaudited Actuals do not reflect deficit spending but end with a surplus. Essentially, SM-MUSD budgets more expenditures than available revenues, but at the end of the year they may not have spent as much as they had budgeted, or they did not account for all of the revenues ultimately received. This is exemplified in the 2023-24 Unaudited Actuals shown above. The SM-MUSD budget projected deficit spending, but the Unaudited Actuals show a much different story with **a surplus of over \$26 million** in the Unrestricted General Fund.

When utilizing the SM-MUSD budget to project the future impact of this proposed reorganization, the existing pattern of deficit spending combined with the SM-MUSD budget practices should be considered so that there is a clear differentiation as to whether the proposed reorganization will cause a financial concern for SMUSD or whether existing circumstances lead to a concern with the future financial picture regardless of whether the proposed reorganization occurs. The Unaudited Actual Financial Statement provides a clearer picture of SM-MUSD’s actual revenues, expenditures, and fund balance. Based on the 2023-24 Unaudited Actuals, SM-MUSD has a healthy unrestricted fund balance of \$56.6 million.

**Property Tax Exchange**

As permitted under Revenue and Taxation Code Section 99 and further described in the CDE Handbook, a property tax revenue exchange can be negotiated between the affected districts or can be determined by the county board of education, as shown in **Figure 56**. As stated in the CDE Handbook, this exchange of tax revenue could also be set forth in the petition to reorganize the district. The suggested property tax exchange included in this Feasibility Study would enable both MUSD and SMUSD to maintain fiscal solvency post-separation.

**FIGURE 56**

**6. Property Tax Revenue**

Section 99 of the *Revenue Taxation Code* provides for the reallocation of the property tax revenue when jurisdictional changes occur in the taxing agencies. Subdivision (b) of that section requires that the county assessor provide to the county auditor, within 30 days of receiving notification of the change of jurisdictions, a report that identifies the assessed valuations for the territory. The county auditor then estimates the amount of property tax revenue that is generated in the territory whose jurisdiction is changed. The auditor notifies the governing boards involved of the property tax revenue generated by the reorganized territory.

Subdivision (i) provides that, for any reorganization when one or more of the affected districts receives only basic aid apportionments, the affected governing boards shall negotiate the exchange in tax revenue between the districts, and, if they are unable to do so within 60 days after the effective date of the reorganization, the county board of education shall determine the amount of property tax revenue to be exchanged. If the affected districts are in more than one county, the State Board of Education decides the property tax revenue exchange.

In most cases, all of the tax revenue from the territory being reorganized would be transferred to the district receiving that territory. However, it is clear from Section 99 that the tax revenues to be transferred are subject to negotiation if one or more of the affected districts receives only basic aid apportionments. This exchange of tax revenue could also be set forth in the petition to reorganize districts.

*Source: California Department of Education School District Organization Handbook, Chapter 9, Page 7-8.*

In order to provide SMUSD with the same level of funding post-separation as received with the current SM-MUSD, property taxes from MUSD can be allocated to SMUSD based on the per pupil funding level both areas of the District receive in the year prior to separation. The per pupil funding level should account for the fact that students currently in Malibu area schools cost more to educate than students in Santa Monica area schools, due to low school and class sizes and higher transportation costs. Additionally, the per pupil funding level should be adjusted for the portion of the \$26 million surplus that is attributable to the Malibu portion of total SM-MUSD revenues.

The 2023-24 SM-MUSD Unaudited Actuals can be used to demonstrate the property tax exchange concept. As demonstrated in **Figure 57**, students in the SMUSD portion of SM-MUSD currently benefit from per pupil funding of just under \$21,000 per student after adjusting for the MUSD portion of the \$26 million surplus and the additional cost to educate Malibu area students. After separation, without the a tax exchange, SMUSD would receive per pupil funding of just over \$19,000 per student. By allocating per pupil funding of \$1,939, equivalent to \$14.7 million, from MUSD to SMUSD through a tax exchange, SMUSD will be able to operate with the same level of funding in the first year after separation, thus ensuring that all existing programs can be offered without jeopardizing the fiscal solvency of SMUSD. Since SM-MUSD has been able to operate with this level of funding AND generate a budgetary surplus of \$26 million in 2023-24, it is reasonable to expect that if SMUSD were to receive the same level of funding, they could also operate and maintain fiscal solvency post-separation.

**FIGURE 57**

<b>Tax Exchange to Achieve Per Pupil Funding At Similar Level as Prior to Separation</b>	
Unrestricted Funding of SMMUSD (from 2023-24 Unaudited Actuals)	\$192,754,964
Adjustment for Malibu Portion of Surplus	\$6,563,943
<b>Adjusted Unrestricted Funding of SMMUSD</b>	<b>\$186,191,021</b>
2023-24 Enrollment	8,629
<b>Per Pupil Revenues</b>	<b>\$21,577</b>
Adjustment for Higher Cost of Malibu Schools	\$600
<b>Target Per Pupil Funding</b>	<b>\$20,977</b>
<b>Revenues to Be Retained by SMUSD</b>	
LCFF Sources	\$84,709,617
SM Parcel Taxes	\$10,803,046
SM Sales Taxes	\$17,853,288
SM Joint Use Revenues	\$10,973,980
SM Property Transfer Tax Revenues	\$10,000,000
SM Foundation Revenues	\$1,800,000
Lease Revenues	\$2,457,091
Other Local Revenues	\$3,759,115
Other State Revenues	\$2,257,351
<b>Total Revenues to be Retained by SMUSD</b>	<b>\$144,613,488</b>
SMUSD 2023-24 Enrollment	7,596
<b>Actual Per Pupil Funding</b>	<b>\$19,038</b>
<b>Additional Per Pupil Funding Required</b>	<b>\$1,939</b>
<b>Tax Exchange Required to Achieve Target Per Pupil Funding</b>	<b>\$14,730,523</b>

Based on this exchange of property taxes, both SMUSD and MUSD will be able to continue to promote sound fiscal management, and this proposed reorganization will not cause a substantial negative effect on the fiscal status of either SMUSD or MUSD. On an ongoing basis, MUSD could slightly reduce its tax exchange amount to ease SMUSD into operating on its own without the benefit of property taxes generated in within MUSD’s boundaries.

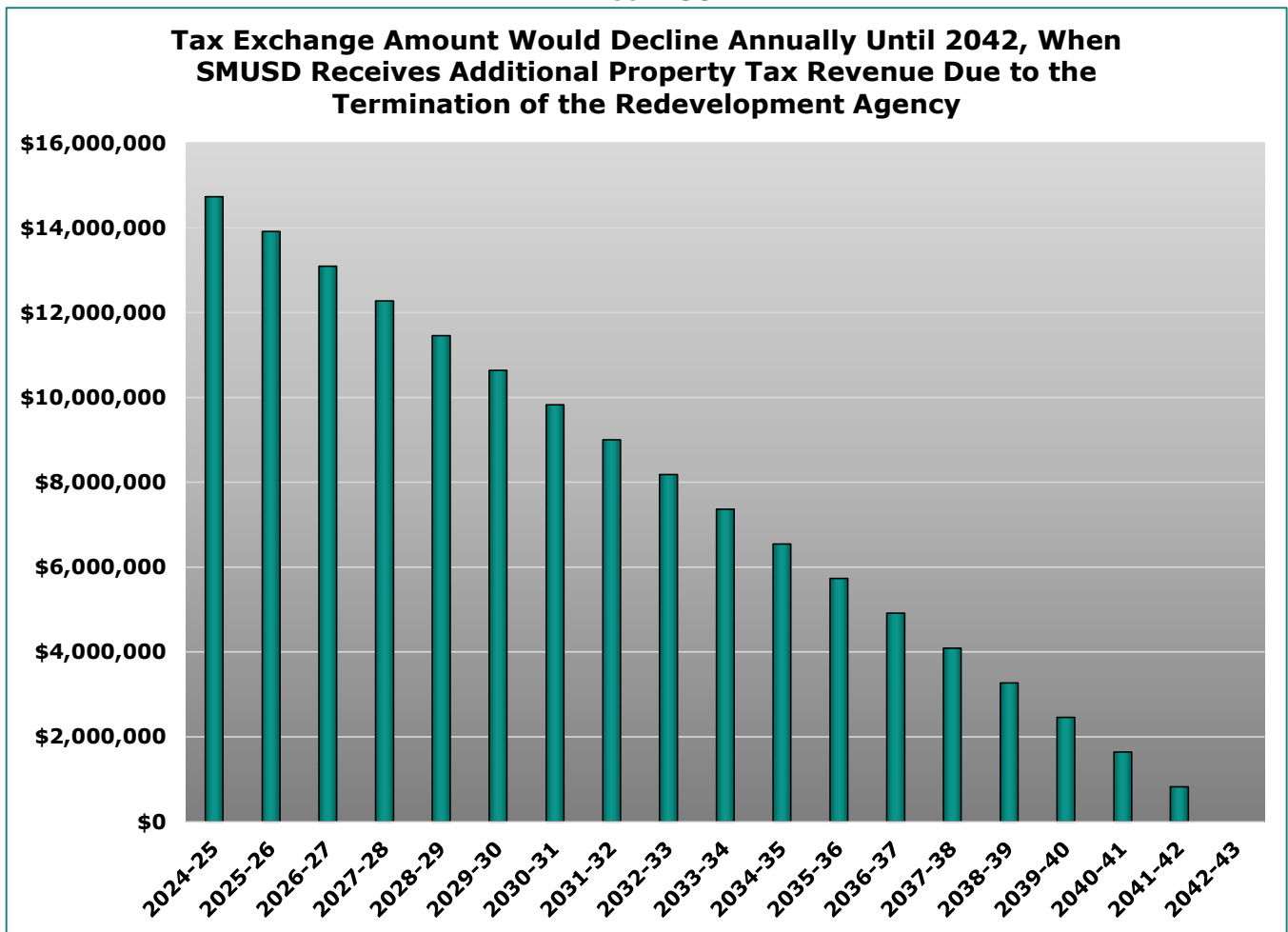
It is important to note that in 2042 the redevelopment agencies within Santa Monica will terminate. Currently, property tax revenue from Santa Monica is being diverted to pay the existing debts and obligations of the Santa Monica redevelopment agency. Beginning in 2042, those tax revenues currently diverted to the redevelopment agency will return to all other overlapping taxing agencies, including SMUSD. Therefore, the City of Malibu proposes that the property tax exchange between MUSD and SMUSD terminates in 2042, when SMUSD will see an increase in local property taxes.

In the meantime, from the time of separation until 2042, MUSD can annually reduce its property tax exchange amount on a straight line basis, gradually reducing the amount of tax revenue allocated

from MUSD to SMUSD. This will prevent any significant one-time reductions in revenue for SMUSD and will enable them to incrementally adjust to operating on revenues generated from their own tax base, combined with their substantial receipts from Other Local Sources, currently in excess of \$50 million per year.

As shown in **Figure 58**, demonstrates how the tax exchange from MUSD to SMUSD would taper off from the time of separation until 2042, on a straight-line basis. This would total an estimated \$130 million transferred from MUSD to SMUSD through 2042, based on the 2023-24 figures. Note: The chart assumes 2023-24 as the initial year of the calculation to demonstrate the concept. However, the actual exchange would be calculated based on the Unaudited Actuals figures in the year prior to separation, whenever that occurs, and continue until 2042.

**FIGURE 58**



**Financial Viability of the Reorganized Districts**

The financial viability of the proposed MUSD and remaining SMUSD would be largely dependent upon management decisions. However, estimates of available funding for each district can be used as a guide for whether the future revenue stream of the separate districts will be sufficient to reasonably



fund ongoing operations. The ultimate fiscal solvency, of course, is dependent on the spending decisions of the proposed MUSD and remaining SMUSD boards.

The assumptions utilized to develop these budgets are described below **Figures 59 and 60**.

**Figure 59** provides an overview of the anticipated budget for the proposed MUSD. Of course, the decisions made by the future board will impact the actual budget of the proposed district.

**FIGURE 59**

<b>Malibu Unified School District Pro Forma Budget for 2025-26</b>				
	<b>Unrestricted 2025-26 (B)</b>	<b>Restricted 2025-26</b>	<b>Combined</b>	<b>Notes</b>
LCFF Revenue	\$42,786,382	\$0	\$42,786,382	(A)
Federal Revenue	\$0	\$928,780	\$928,780	(C)
State Revenue	\$257,604	\$379,814	\$637,418	(C)
Parcel Tax	\$4,162,525	\$0	\$4,162,525	(D)
Other Local Revenue	\$514,630	\$1,784,781	\$2,299,411	(G)
<b>Total Revenue</b>	<b>\$47,721,141</b>	<b>\$3,093,375</b>	<b>\$50,814,516</b>	
Certificated	\$9,252,017	\$2,859,925	\$12,111,942	(E)
Classified	\$4,540,584	\$2,539,255	\$7,079,839	(E)
Benefits	\$7,793,774	\$2,149,066	\$9,942,840	(E)
Books & Supplies	\$1,158,608	\$226,350	\$1,384,958	(E)
Professional Services	\$2,149,399	\$1,627,624	\$3,777,023	(E)
Capital Outlay	\$395,000	\$13,151	\$408,151	(E)
Indirect/Direct Costs	(\$112,443)	\$112,443	\$0	(E)
<b>Total Expenditures</b>	<b>\$25,176,939</b>	<b>\$9,527,814</b>	<b>\$34,704,753</b>	
Transfer Property Taxes to SMUSD	(\$14,730,523)	\$0	(\$14,730,523)	
Contribution	(\$6,434,439)	\$6,434,439	\$0	(F)
<b>Surplus/(Deficit)</b>	<b>\$1,379,240</b>	<b>\$0</b>	<b>\$1,379,240</b>	
Beginning Fund Balance	\$11,140,419	\$0	\$11,140,419	(H)
Ending Fund Balance	\$12,519,659	\$0	\$12,519,659	

The budget for MUSD was built on the following assumptions, as referenced in the "Notes" column in **Figure 59**:

- (A) LCFF Revenue is calculated uniquely for MUSD as shown in the analysis for Criterion #5 in this Report. As a Basic Aid district, these LCFF Revenues exceed the calculated LCFF entitlement, thus making the proposed MUSD property tax funded.
- (B) Built zero-based budget totaling \$5 million more than an allocated, per-student basis of current SM-MUSD budget would generate. Only the per-student and site-specific Malibu

"share" of budget was reduced from the SM-MUSD budget in preparing a pro forma SMUSD budget, allowing the new MUSD to add resources beyond those currently spent on that portion of the district.

- (C) Allocated current SM-MUSD 2024-25 Restricted Budget on a per-student basis, assuming MUSD enrollment of 12%. Removed one-time carryover amounts.
- (D) Applied only the portion of the SM-MUSD parcel tax generated by property within the proposed MUSD's boundaries. In order to retain this parcel tax revenue, special legislation may be required.
- (E) Unrestricted budget was developed on a department basis for district office and operations functions, and site budgets for school sites to be transferred to the proposed MUSD based on the SM-MUSD 2024-25 Adopted Budget. Restricted budgets are based on a pro rata share of the current SM-MUSD 2024-25 budget, adjusted for increased staffing for the proposed MUSD to cover central office and SELPA functions.
- (F) Contribution amount reflects the contribution needed to balance restricted spending versus restricted revenues.
- (G) Based on the schedule of Other Local Revenues received by SM-MUSD, excluding property taxes subject to the LCFF calculation.
- (H) Beginning fund balance amount will be calculated at 25% of prior year SM-MUSD fund balance to Malibu, using the 2023-24 ending balance of \$56,609,464 less - projected deficit spending of \$12,047,790 in 2024-25.

The proposed MUSD budget model utilized certificated and classified salary and benefit costs that were established based on the school site budgets for the four schools identified to be transferred to the proposed MUSD in the reorganization petition.

It is anticipated that MUSD would be entitled to approximately 25% of the SM-MUSD fund balance, based on the MUSD share of unrestricted revenues of SM-MUSD. This fund balance allocation has been reflected in the budgets of both SMUSD and MUSD as well as the multi-year budget projections provided later in this report.

**Figure 60** provides an overview of the anticipated budget for the remaining SMUSD. This budget assumes that the District will make cuts as required and will appropriately scale down administrative overhead based on the reduction of 1,033 students that will move to the new MUSD combined with the declining enrollment in the Santa Monica area of the District. Additionally, the expenses of the remaining SMUSD reflect the actual school site budgets of the schools in Santa Monica, specifically deducting out the school site costs of Malibu area schools. This accounts for the fact that Malibu area schools are currently more expensive to operate than Santa Monica schools due to their relatively small student population and remote location.

**FIGURE 60**

<b>Santa Monica Unified School District Pro Forma Budget for 2025-26</b>				
	<b>Unrestricted 2025-26 (B)</b>	<b>Restricted 2025-26 (I)</b>	<b>Combined</b>	<b>Notes</b>
LCFF Revenue	\$100,414,416	\$0	\$100,414,416	(A)
Federal Revenue	\$0	\$6,939,589	\$6,939,589	(C)
State Revenue	\$2,259,198	\$14,932,458	\$17,191,656	(C)
Parcel Tax	\$11,254,235	\$0	\$11,254,235	(D)
Other Local Revenue	\$48,144,382	\$13,335,399	\$61,479,781	(G)
<b>Total Revenue</b>	<b>\$162,072,231</b>	<b>\$35,207,446</b>	<b>\$197,279,677</b>	
Certificated	\$52,094,843	\$17,817,028	\$69,911,871	(E)
Classified	\$24,174,696	\$16,335,752	\$40,510,448	(E)
Benefits	\$36,654,122	\$15,873,992	\$52,528,114	(E)
Books & Supplies	\$2,640,000	\$1,691,226	\$4,331,226	(E)
Professional Services	\$16,086,388	\$21,386,498	\$37,472,886	(E)
Capital Outlay	\$88,000	\$98,262	\$186,262	(E)
Indirect/Direct Costs	(\$1,936,400)	\$840,140	(\$1,096,260)	(E)
<b>Total Expenditures</b>	<b>\$129,801,649</b>	<b>\$74,042,898</b>	<b>\$203,844,547</b>	
Malibu Property Tax Transfer	\$14,730,523	\$0	\$14,730,523	
Transfers In/ (Out)	(\$2,455,200)	\$0	(\$2,455,200)	
Contribution	(\$38,835,452)	\$38,835,452	\$0	(F)
<b>Surplus/(Deficit)</b>	<b>\$5,710,453</b>	<b>\$0</b>	<b>\$5,710,453</b>	
Beginning Fund Balance	\$33,421,256	\$0	\$33,421,256	(H)
Ending Fund Balance	\$39,131,708	\$0	\$39,131,708	

The budget for SMUSD was built on the following assumptions, as referenced in the "Notes" column in **Figure 60**:

- (A) LCFF Revenue recalculated, with Minimum State Aid allocated per student. Annual increase in property taxes is estimated per separate schedule.
- (B) Budget modeled from SM-MUSD 2024-25 Adopted Budget and MYP, reflects anticipated budget cuts and removal of Malibu revenues and expenditures beginning in 2025-26.
- (C) Allocated current SM-MUSD 2024-25 Restricted Budget on a per-student basis, assuming SMUSD enrollment of 88%. Removed one-time carryover amounts.
- (D) Portion of SM-MUSD parcel tax generated by property within the new SMUSD district boundaries (Estimated based on District input).
- (E) Budget reflects salary increases of 13% certificated as of 2025-26, 18% classified salary increase as of 2025-26, on-going 2% certificated salary increase annually, and annual salary increases of 1.6% for step movement on the salary schedule.

- (F) Contribution amount reflects the contribution needed to balance restricted spending versus restricted revenues.
- (G) Based on the schedule of Other Local Revenues received by SM-MUSD, excluding property taxes subject to the LCFF calculation.
- (H) Beginning fund balance amount will be calculated at 75% of prior year SM-MUSD fund balance to Malibu, using the 2023-24 ending balance of \$56,609,464 less SM-MUSD’s projected deficit spending of \$12,047,790 in 2024-25.
- (I) Allocated current SM-MUSD 2023-24 Restricted Budget on a per-student basis, assuming SMUSD enrollment of 88%. Removed one-time carryover amounts.

As demonstrated by the estimated budget for the remaining SMUSD, if the reasonable cuts are applied and the appropriate expenditures are allocated to MUSD, then the remaining SMUSD will be able to maintain fiscal solvency post-reorganization. Of course, this is highly dependent on the management decisions of SMUSD and their ability to make the appropriate staffing cuts to reflect the reduction of 1,033 students to Malibu and their own declining enrollment. Presumably, given the time it would take for the reorganization to be implemented, SMUSD would have appropriate time to make such adjustments. The substantial reserves that SM-MUSD has accumulated will provide SMUSD with some time to make any required budget cuts.

As previously stated, the projected budget for SMUSD deducts the more expensive per student costs for Malibu schools as compared to Santa Monica area schools. This concept was acknowledged in November 2020 when SM-MUSD prepared a Frequently Asked Questions page related to this proposed reorganization. On page 2 of that document, SM-MUSD quantified the per student cost to educate students in Malibu to be \$9,856 per student as compared to \$7,606 per student in Santa Monica, as shown in **Figure 61**.

**FIGURE 61**

**5. Where does funding for the SMMUSD currently come from and how have Malibu students benefitted from the current funding model?**

*The students and communities of Santa Monica and Malibu enjoy a unique and diverse portfolio of general fund revenues -- many of which originate exclusively from the Santa Monica community -- as detailed below. These revenues support both communities, with per pupil expenditures in Malibu exceeding the per pupil expenditures in Santa Monica. The per pupil expenditures in terms of human resources, transportation, materials, and programs are currently: \$9,856 per student in Malibu and \$7,606 per student in Santa Monica. The most visible reflection of the difference in expenditures between the two communities is in the class size average/teacher ratio:*

- 18 students per teacher in Malibu elementary schools*
- 22 students per teacher in the Santa Monica elementary schools*
- 23 students per teacher in the Malibu secondary schools*
- 27 students per teacher in the Santa Monica secondary schools*

2

Source: [www.smmusd.org/UnificationFAQ](http://www.smmusd.org/UnificationFAQ), November 24, 2020.

Although the exact cost differential between schools in the two areas is higher in the current fiscal year, **Figure 61** demonstrates SM-MUSD’s understanding and acknowledgment of the fact that Malibu area schools are more expensive to operate than Santa Monica area schools and the projected SMUSD budget should reflect this fact.

**Multi-Year Budget Projections.** As shown in **Figure 62**, the proposed MUSD is able to operate with a budgetary surplus, accounting for the property tax exchange with SMUSD. Over time, MUSD will be able to add educational programs, as desired by the Malibu community, as operating surpluses are projected.

**FIGURE 62**

Malibu Unified School District Multi-Year Budget Projection								
	Notes	Annual Adj (K)	Unrestricted 2025-26 (Year 1)	Restricted 2025-26	Combined 2025-26 (Year 1)	Unrestricted 2026-27	Restricted 2026-27	Combined 2026-27
LCFF Revenue	(A)	various	\$42,786,382	\$0	\$42,786,382	\$42,610,532	\$0	\$42,610,532
Federal Revenue		flat	\$0	\$928,780	\$928,780	\$0	\$928,780	\$928,780
State Revenue		flat	\$257,604	\$379,814	\$637,418	\$257,604	\$379,814	\$637,418
Parcel Tax	(D)	2.5%	\$4,162,525	\$0	\$4,162,525	\$4,266,588	\$0	\$4,266,588
Other Local Revenue	(G)	various	\$514,630	\$1,784,781	\$2,299,411	\$518,932	\$1,784,781	\$2,303,713
<b>Total Revenue</b>			<b>\$47,721,141</b>	<b>\$3,093,375</b>	<b>\$50,814,516</b>	<b>\$47,653,656</b>	<b>\$3,093,375</b>	<b>\$50,747,031</b>
Certificated	(E) (L)	3.6%	\$9,252,017	\$2,859,925	\$12,111,942	\$9,585,090	\$2,962,882	\$12,547,972
Classified	(E) (L)	1.6%	\$4,540,584	\$2,539,255	\$7,079,839	\$4,613,233	\$2,579,883	\$7,193,116
Benefits	(E) (J)	4.2%	\$7,793,774	\$2,149,066	\$9,942,840	\$8,228,870	\$2,279,645	\$10,508,515
Books & Supplies	(E)	3.0%	\$1,158,608	\$226,350	\$1,384,958	\$1,193,366	\$226,350	\$1,419,716
Professional Services	(E)	4.0%	\$2,149,399	\$1,627,624	\$3,777,023	\$2,235,375	\$1,627,624	\$3,862,999
Capital Outlay	(E)	0.0%	\$395,000	\$13,151	\$408,151	\$395,000	\$13,151	\$408,151
Indirect/Direct Costs	(E)	\$0	(\$112,443)	\$112,443	\$0	(\$112,443)	\$112,443	\$0
<b>Total Expenditures</b>			<b>\$25,176,939</b>	<b>\$9,527,814</b>	<b>\$34,704,753</b>	<b>\$26,138,491</b>	<b>\$9,801,978</b>	<b>\$35,940,469</b>
Transfer Property Taxes to SMUSD	(H)		(\$14,730,523)	\$0	(\$14,730,523)	(\$13,864,021)	\$0	(\$13,864,021)
Contribution	(F)	3.0%	(\$6,434,439)	\$6,434,439	\$0	(\$6,708,603)	\$6,708,603	\$0
<b>Surplus/(Deficit)</b>			<b>\$1,379,240</b>	<b>\$0</b>	<b>\$1,379,240</b>	<b>\$942,541</b>	<b>\$0</b>	<b>\$942,541</b>
Beginning Fund Balance	(I)		\$11,140,419	\$0	\$11,140,419	\$12,519,659	\$0	\$12,519,659
Ending Fund Balance			\$12,519,659	\$0	\$12,519,659	\$13,462,199	\$0	\$13,462,199

	Notes	Annual Adj (K)	Unrestricted 2027-28	Unrestricted 202-29	Unrestricted 2029-30	Unrestricted 2030-31
LCFF Revenue	(A)	various	\$44,834,802	\$47,179,662	\$49,647,158	\$52,248,669
Federal Revenue		flat	\$0	\$0	\$0	\$0
State Revenue		flat	\$257,604	\$257,604	\$257,604	\$257,604
Parcel Tax	(D)	2.5%	\$4,373,253	\$4,482,584	\$4,594,648	\$4,709,515
Other Local Revenue	(G)	various	\$523,319	\$527,795	\$532,360	\$537,016
<b>Total Revenue</b>			<b>\$49,988,978</b>	<b>\$52,447,645</b>	<b>\$55,031,770</b>	<b>\$57,752,804</b>
Certificated	(E) (L)	3.6%	\$9,930,153	\$10,287,639	\$10,657,994	\$11,041,681
Classified	(E) (L)	1.6%	\$4,687,045	\$4,762,037	\$4,838,230	\$4,915,642
Benefits	(E) (J)	4.2%	\$8,685,505	\$9,164,691	\$9,667,484	\$10,069,651
Books & Supplies	(E)	3.0%	\$1,229,167	\$1,266,042	\$1,304,023	\$1,343,144
Professional Services	(E)	4.0%	\$2,324,790	\$2,417,781	\$2,514,492	\$2,615,072
Capital Outlay	(E)	0.0%	\$395,000	\$395,000	\$395,000	\$395,000
Indirect/Direct Costs	(E)	\$0	(\$112,443)	(\$112,443)	(\$112,443)	(\$112,443)
<b>Total Expenditures</b>			<b>\$27,139,217</b>	<b>\$28,180,747</b>	<b>\$29,264,780</b>	<b>\$30,267,747</b>
Transfer Property Taxes to SMUSD	(H)		(\$12,997,520)	(\$12,131,019)	(\$11,264,517)	(\$10,398,016)
Contribution	(F)	3.0%	(\$6,993,732)	(\$7,290,277)	(\$7,598,715)	(\$7,826,676)
<b>Surplus/(Deficit)</b>			<b>\$2,858,509</b>	<b>\$4,845,602</b>	<b>\$6,903,758</b>	<b>\$9,260,365</b>
Beginning Fund Balance	(I)		\$13,462,199	\$16,320,708	\$21,166,310	\$28,070,068
Ending Fund Balance			\$16,320,708	\$21,166,310	\$28,070,068	\$37,330,433

As shown in **Figure 63**, the remaining SMUSD will also be able to operate with a surplus, accounting for the declining property tax exchange from MUSD. Further, it is projected that SMUSD will be able to build up substantial reserve levels from the combination of the funding from MUSD property tax exchange, combined with their own growing tax base and substantial funding from Other Local Revenues.

**FIGURE 63**

Santa Monica Unified School District Multi-Year Budget Projection								
	Notes	Annual Adj (K)	Unrestricted 2025-26 (Year 1)	Restricted 2025-26	Combined 2025-26 (Year 1)	Unrestricted 2026-27	Restricted 2026-27	Combined 2026-27
LCFF Revenue	(A)	various	\$100,414,416	\$0	\$100,414,416	\$105,605,841	\$0	\$105,605,841
Federal Revenue		flat	\$0	\$6,939,589	\$6,939,589	\$0	\$6,939,589	\$6,939,589
State Revenue		flat	\$2,259,198	\$14,932,458	\$17,191,656	\$2,259,198	\$14,932,458	\$17,191,656
Parcel Tax	(D)	2.5%	\$11,254,235	\$0	\$11,254,235	\$11,535,591	\$0	\$11,535,591
Other Local Revenue	(G)	various	\$48,144,382	\$13,335,399	\$61,479,781	\$48,850,998	\$13,335,399	\$62,186,398
<b>Total Revenue</b>			<b>\$162,072,231</b>	<b>\$35,207,447</b>	<b>\$197,279,677</b>	<b>\$168,251,628</b>	<b>\$35,207,447</b>	<b>\$203,459,075</b>
Certificated	(E) (L)	3.6%	\$52,094,843	\$17,817,028	\$69,911,871	\$51,527,824	\$18,458,441	\$69,986,265
Classified	(E) (L)	1.6%	\$24,174,696	\$16,335,752	\$40,510,448	\$24,601,764	\$16,597,124	\$41,198,888
Benefits	(E) (J)	4.2%	\$36,654,122	\$15,873,992	\$52,528,113	\$37,470,794	\$16,794,024	\$54,264,818
Books & Supplies	(E)	3.0%	\$2,640,000	\$1,691,226	\$4,331,226	\$1,640,000	\$1,691,226	\$3,331,226
Professional Services	(E)	4.0%	\$16,086,388	\$21,386,498	\$37,472,885	\$15,570,239	\$21,386,498	\$36,956,736
Capital Outlay	(E)	0.0%	\$88,000	\$98,262	\$186,262	\$88,000	\$98,262	\$186,262
Indirect/Direct Costs	(E)	\$0	(\$1,936,400)	\$840,140	(\$1,096,260)	(\$2,081,806)	\$840,140	(\$1,241,666)
<b>Total Expenditures</b>			<b>\$129,801,648</b>	<b>\$74,042,897</b>	<b>\$203,844,545</b>	<b>\$128,816,814</b>	<b>\$75,865,715</b>	<b>\$204,682,529</b>
Transfer Property Taxes to SMUSD	(H)		\$14,730,523	\$0	\$14,730,523	\$13,864,021	\$0	\$13,864,021
Transfers Out/Other Sources			(\$2,455,200)	\$0	(\$2,455,200)	(\$2,455,200)	\$0	(\$2,455,200)
Contribution	(F)	3.0%	(\$38,835,450)	\$38,835,450	\$0	(\$40,658,268)	\$40,658,268	\$0
<b>Surplus/(Deficit)</b>			<b>\$5,710,456</b>	<b>\$0</b>	<b>\$5,710,455</b>	<b>\$10,185,368</b>	<b>\$0</b>	<b>\$10,185,367</b>
Beginning Fund Balance	(I)		\$33,421,256	\$0	\$33,421,256	\$39,131,711	\$0	\$39,131,711
Ending Fund Balance			\$39,131,711	\$0	\$39,131,711	\$49,317,079	\$0	\$49,317,078

	Notes	Annual Adj (K)	Unrestricted 2027-28	Unrestricted 202-29	Unrestricted 2029-30	Unrestricted 2030-31
LCFF Revenue	(A)	various	\$111,107,905	\$116,941,070	\$123,127,253	\$129,689,935
Federal Revenue		flat	\$0	\$0		
State Revenue		flat	\$1,920,475	\$2,259,198	\$257,604	\$257,606
Parcel Tax	(D)	2.5%	\$11,823,981	\$12,119,580	\$12,422,570	\$12,733,134
Other Local Revenue	(G)	various	\$49,570,341	\$50,302,627	\$51,048,082	\$51,806,931
<b>Total Revenue</b>			<b>\$174,422,702</b>	<b>\$181,622,476</b>	<b>\$186,855,509</b>	<b>\$194,487,606</b>
Certificated	(E) (L)	3.6%	\$53,382,825	\$55,304,607	\$57,295,573	\$59,358,214
Classified	(E) (L)	1.6%	\$24,995,392	\$25,395,318	\$25,801,643	\$26,214,469
Benefits	(E) (J)	4.2%	\$39,642,908	\$41,292,053	\$43,009,802	\$44,799,010
Books & Supplies	(E)	3.0%	\$1,689,200	\$1,739,876	\$1,792,072	\$1,845,834
Professional Services	(E)	4.0%	\$16,193,048	\$16,840,770	\$17,514,401	\$18,214,977
Capital Outlay	(E)	0.0%	\$88,000	\$88,000	\$88,000	\$88,000
Indirect/Direct Costs	(E)	\$0	(\$840,140)	(\$840,140)	(\$840,140)	(\$840,140)
<b>Total Expenditures</b>			<b>\$135,151,234</b>	<b>\$139,820,485</b>	<b>\$144,661,352</b>	<b>\$149,680,365</b>
Transfer Property Taxes to SMUSD	(H)		\$12,997,520	\$12,131,019	\$11,264,517	\$10,398,016
Transfers Out/Other Sources			(\$2,455,200)	(\$2,455,200)	(\$2,455,200)	(\$2,455,200)
Contribution	(F)	3.0%	(\$42,553,993)	(\$43,830,613)	(\$45,145,532)	(\$46,499,897)
<b>Surplus/(Deficit)</b>			<b>\$7,259,795</b>	<b>\$7,647,197</b>	<b>\$5,857,942</b>	<b>\$6,250,160</b>
Beginning Fund Balance	(I)		\$49,317,078	\$56,576,873	\$64,224,070	\$70,082,012
Ending Fund Balance			\$56,576,873	\$64,224,070	\$70,082,012	\$76,332,172

Since the actual expenditure reductions are in the hands of the SMUSD school board, the revenue per student can be evaluated to make a reasonable assumption as to whether there would be sufficient funding for the operations of SMUSD. **With unrestricted General Fund revenues of over \$21,000 per student, SMUSD would rank in the top 5 districts in all of Los Angeles County in terms of unrestricted funding per student**, based on the 2022-23 Los Angeles County Schools Financial Report published by the Los Angeles County Office of Education, as shown in **Figure 64**.

**FIGURE 64**

Per Pupil Funding LA County Unified Districts 2022-23				
Rank	District	Revenues	ADA	Per Pupil Funding
1	Beverly Hills	\$82,911,215	2,940	\$28,201
2	Santa Monica-Malibu	\$175,084,918	8,232	\$21,269
3	Inglewood	\$119,646,349	5,711	\$20,950
4	Los Angeles	\$6,858,814,771	347,715	\$19,725
5	Compton	\$296,870,387	15,907	\$18,663
6	Bassett	\$47,693,900	2,630	\$18,135
7	Paramount	\$211,107,152	11,752	\$17,964
8	Baldwin Park	\$170,479,867	9,599	\$17,760
9	Montebello	\$329,609,495	18,659	\$17,665
10	Azusa	\$106,712,688	6,042	\$17,662



The \$21,000 per student funding of SMUSD is over \$10,000 per student above the average unified district funding level in Los Angeles County of \$15,288 per student. With projected declining enrollment combined with anticipated growth in the SMUSD property tax base, this per student funding number will increase in subsequent budget years. Given the high level of per student funding, it is reasonable to conclude that the remaining SMUSD will have sufficient funding to operate, and the proposed reorganization will not jeopardize the fiscal solvency of the district.

Likewise, the new MUSD will have unrestricted General Fund revenues of almost \$32,000 per student, after the property tax transfer to SMUSD. The MUSD budget demonstrates that MUSD will be able to operate programs at the same level as with SM-MUSD in the short term, but it is expected with ongoing property tax base growth, MUSD will have more budget flexibility in the future that will provide students with enhanced learning opportunities. Nonetheless, based on expected funding, MUSD will have sufficient funding to operate, and the proposed reorganization will not jeopardize the fiscal solvency of the district.

### **Ability to Meet Criterion #9:**

Post-reorganization, both school districts are projected to remain Basic Aid districts and will be in the top 5 in Los Angeles County in per student unrestricted revenues. Preliminary initial budgets for each school district demonstrate financial viability post-reorganization. With the proposed property tax exchange, students from both districts will achieve per pupil funding at a level similar to the level that SM-MUSD currently operates with. Since SM-MUSD was able to achieve a \$26 million surplus with the current level of funding, it is reasonable to expect that it can sustain operations with a similar level of future funding and that both districts will maintain fiscal solvency post-reorganization. Therefore, it is reasonable to conclude that Criterion #9 will be substantially met.