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April 9, 2021

VIA EMAIL: christine.wood@bbklaw.com

Christine N. Wood
Best, Best & Krieger LLP
300 South Grand Avenue, 25th Floor
Los Angeles, CA 90071

Re: District's Response to City of Malibu's Best and Final Offer dated March 12, 2021

Dear Ms. Wood:

The undersigned has been authorized by a 6-1 vote of the District's governing board to reject the above-referenced offer ("Final Offer").

The rejection is based upon our analysis of the Final Offer. Applying our understanding of the terms of the Final Offer to projections based upon updated data indicates that a revenue "cliff effect" would occur after 10 years with funding levels well below where they would otherwise be per pupil for at least one resulting school entity.

This result appears inconsistent with the City's publically stated desire to hold the Santa Monica students "harmless" from the impacts of the separation.

Because of its negative financial and programmatic impact on the District's students, the District has no choice but to reject the Final Offer as currently posited and forcefully oppose the City's Petition.

Alternatively, the District has updated its own financial proposal and can demonstrate with mathematical precision that none of the Districts students in either territory will be significantly worse off from the separation from a per-pupil funding perspective.

As such, for your consideration, set forth below is the District's proposal on how to handle the financial aspects of the split.

- Allocation of State revenues under the LCFF Formula on a per pupil basis
- Allocation of secured property tax revenues utilizing a proportional allocation of the SMMUSD Property Tax Ratio based on the enrollment in each proposed school district

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- Allocation of redevelopment property tax losses and pass-throughs to the entity serving the redevelopment territory
- Allocation of Federal and Other State Revenues on the basis of enrollment in each proposed school district
- Allocation of local revenues with geographical restrictions (e.g.: sales tax, joint use, facility lease revenues) to the entity serving the territory from where such revenues are generated
- Retention of philanthropic local revenues to the entity which raises such revenues
- Allocation of other local revenues not directly related to reimbursement of services provided to the entity conducting the activities resulting in such revenues

If this proposal is unsatisfactory to the City, the District is willing to entertain any other proposal the City can create as long as it accomplishes both parties' stated goal — to separate without materially harming either territory's students.

I understand the County Committee on School District Organization ("Committee") has retained its own financial consultant, Schools Services of California, Inc., ("SSC") to assist the Committee staff with their evaluation of the City's petition (with particular emphasis placed on the financial aspects of the Petition).

In light of this and in furtherance of the parties' desire to pursue an equitable separation, a further proposal I have been authorized to extend is to have the City's financial consultants (*sans* lawyers and electeds) meet jointly and work with the District's financial consultant (*sans* lawyers and electeds) *and* SSC in an effort to independently evaluate the parties' competing financial methodologies to assist each side assess the viability of the competing methodologies with a goal of landing on a methodology that both sides have publically and repeatedly stated they desired: a methodology that places neither territory's students in a worse financial or programmatic position than they would otherwise be in the absence of separation ("Joint Meeting").

However, in fairness to both sides that actively continue to prepare for the upcoming Committee hearing April 17th, the District is only willing to extend the Joint Meeting component of its proposal to the City if the City agrees by April 12, 2021, to request a continuance of the April 17th Committee hearing, so that both parties may devote their time and resources to pursuing a funding solution.

Regardless of the City's response to the above proposals, we invite the City to authorize its financial consultants to meet with the District's financial consultant at the earliest opportunity to enable both sides to gain a better understanding of how the competing formulas work.

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Please let me know if you would like to discuss further or have any questions about the proposals herein.

We look forward to your response.

Very truly yours,

ATKINSON, ANDELSON, LOYA, RUUD & ROMO

A handwritten signature in blue ink, appearing to read "David A. Soldani". The signature is fluid and cursive, with a large initial "D" and "S".

David A. Soldani

DAS:las

cc: Ben Drati, Superintendent
Santa Monica Malibu Unified School District