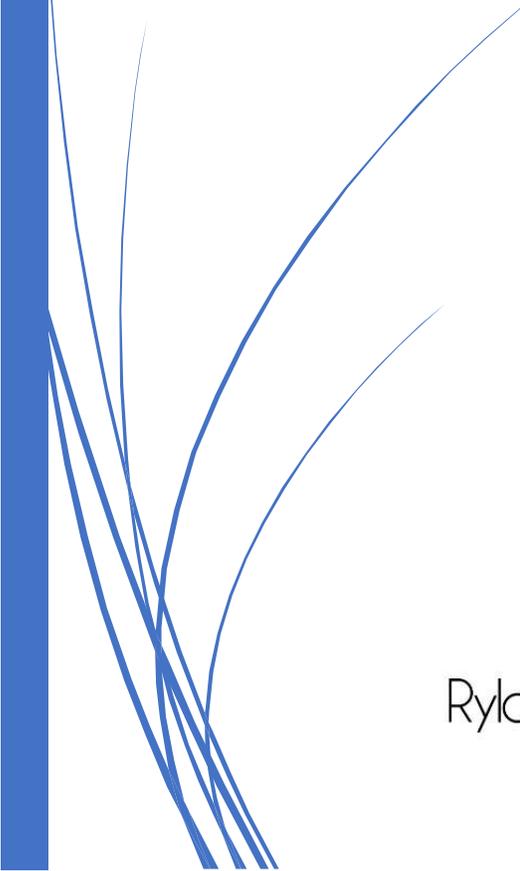




Feasibility Analysis of the Proposed Reorganization of Santa Monica-Malibu Unified School District into Two Separate Districts

Jan. 26, 2022

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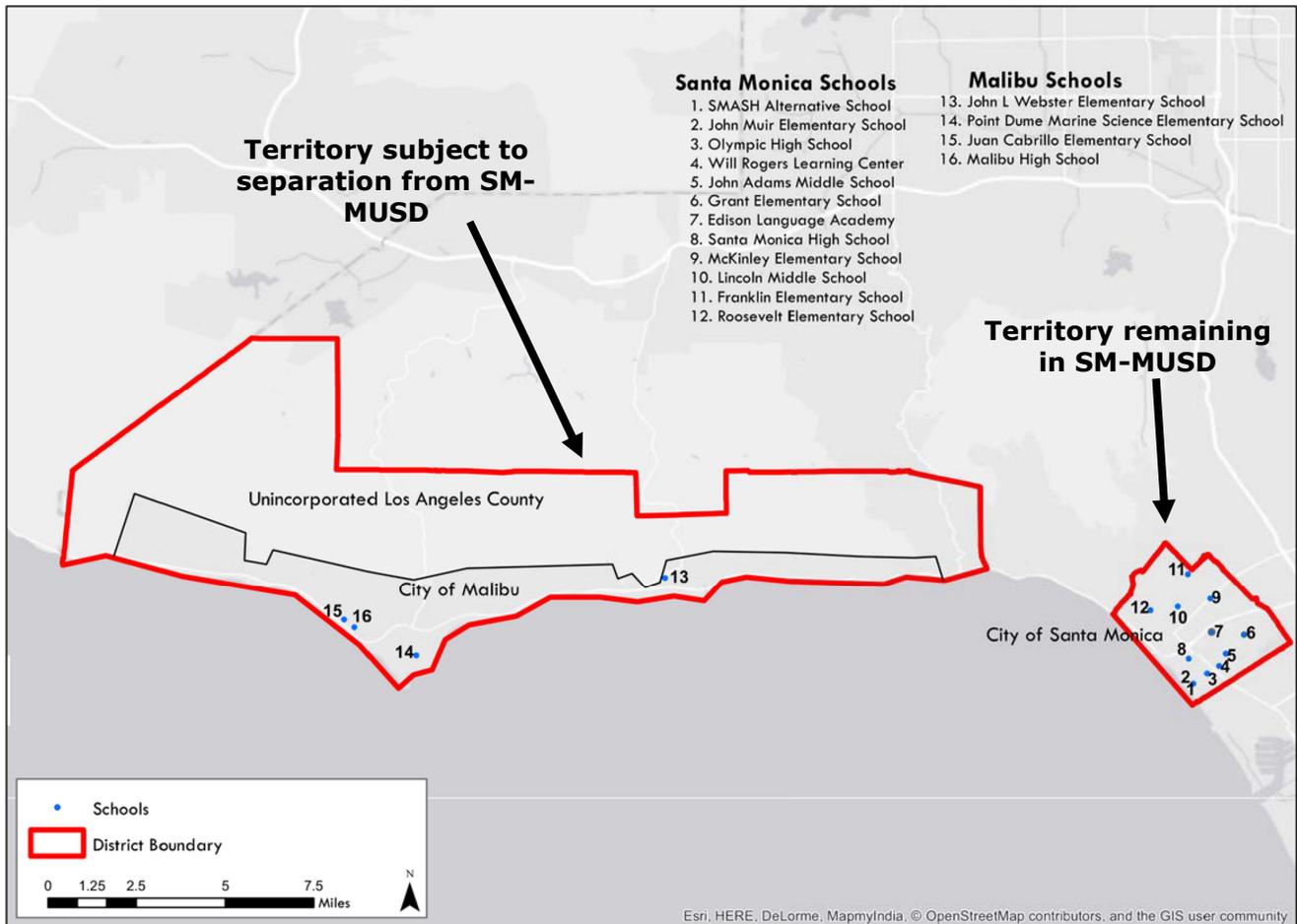
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INTRODUCTION

The City of Malibu and its constituents desire to establish an independent Malibu Unified School District (Malibu USD) 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 Malibu USD 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 a new Malibu USD. As shown in **Figure 1**, four school sites, currently located in the Malibu area would be transferred to the new Malibu USD – Malibu High School, Malibu Middle School, Malibu Elementary School, and Webster Elementary School. Additionally, the closed school site, Juan Cabrillo Elementary School, would be transferred to Malibu USD.

FIGURE 1



Santa Monica-Malibu Unified School District

Date: 2/21/2017

The students in the Malibu area have not received the quality of education desired by the Malibu community under the governance of SM-MUSD. 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.

A majority of the student population of SM-MUSD, approximately 85%, 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 own students.

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 separate, separated by portions of 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 education system of the two communities.

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 Malibu USD 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 practically makes sense to officially separate the school districts.

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 (Santa Monica USD) 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.

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 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 in key subject areas than their Santa Monica counterparts. 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.

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

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.

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, blackouts, mudslides, road closures, and other hazards on an on-going basis. As an urban community, Santa Monica faces its own 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 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 to the important health and safety issues facing the Malibu community, and a 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. Ultimately, it was once 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 Malibu USD will:

- Create local control to determine the educational programs offered in Malibu schools and to make spending decisions to ensure that the school district lives within its means.
- 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 staff 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.

This Report has been prepared to address the nine criteria to demonstrate the feasibility of the proposed reorganization.

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.

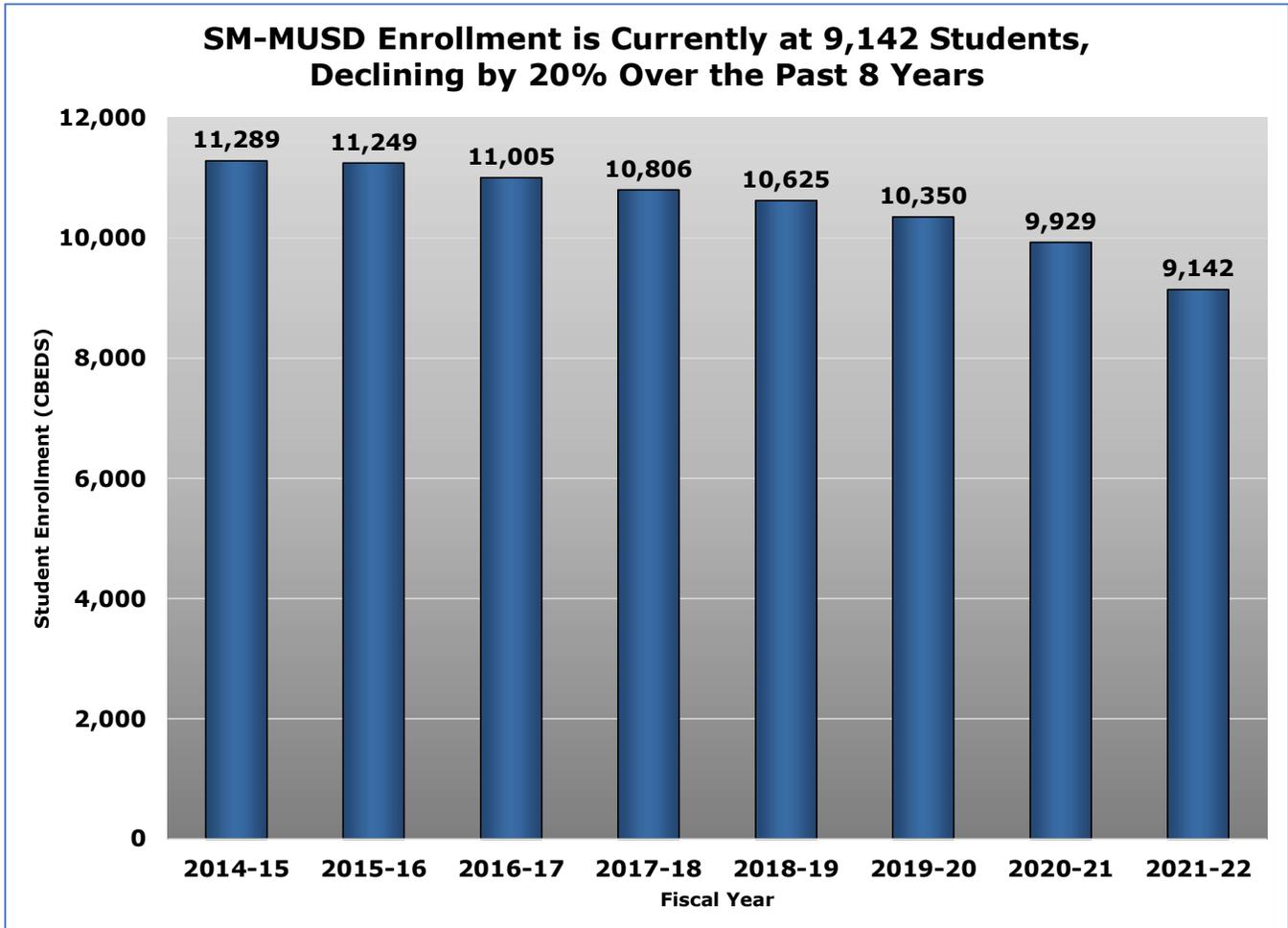
Key Findings:

- Although student enrollment of the proposed Malibu USD is not expected to meet the threshold of 1,501 students set forth in the California Code of Regulations (CCR), since it will not be dependent on either county office of education or state support, **the proposed Malibu USD will substantially meet the intent of Criterion #1.**
- The projected student enrollment of Santa Monica USD will remain above the 1,501 student threshold.
- 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. As these homes are rebuilt, families will come back to Malibu, likely increasing the student population.
- 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.
- An independent Malibu USD will provide families, that currently have a dissatisfaction with SM-MUSD, local control likely bringing students back to Malibu schools and address the Malibu enrollment crisis.

Analysis of Criterion #1:

As shown in **Figure 2**, SM-MUSD has a current enrollment of 9,142 students and has experienced a 20% decline in enrollment over the past 8 years. It is projecting 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.

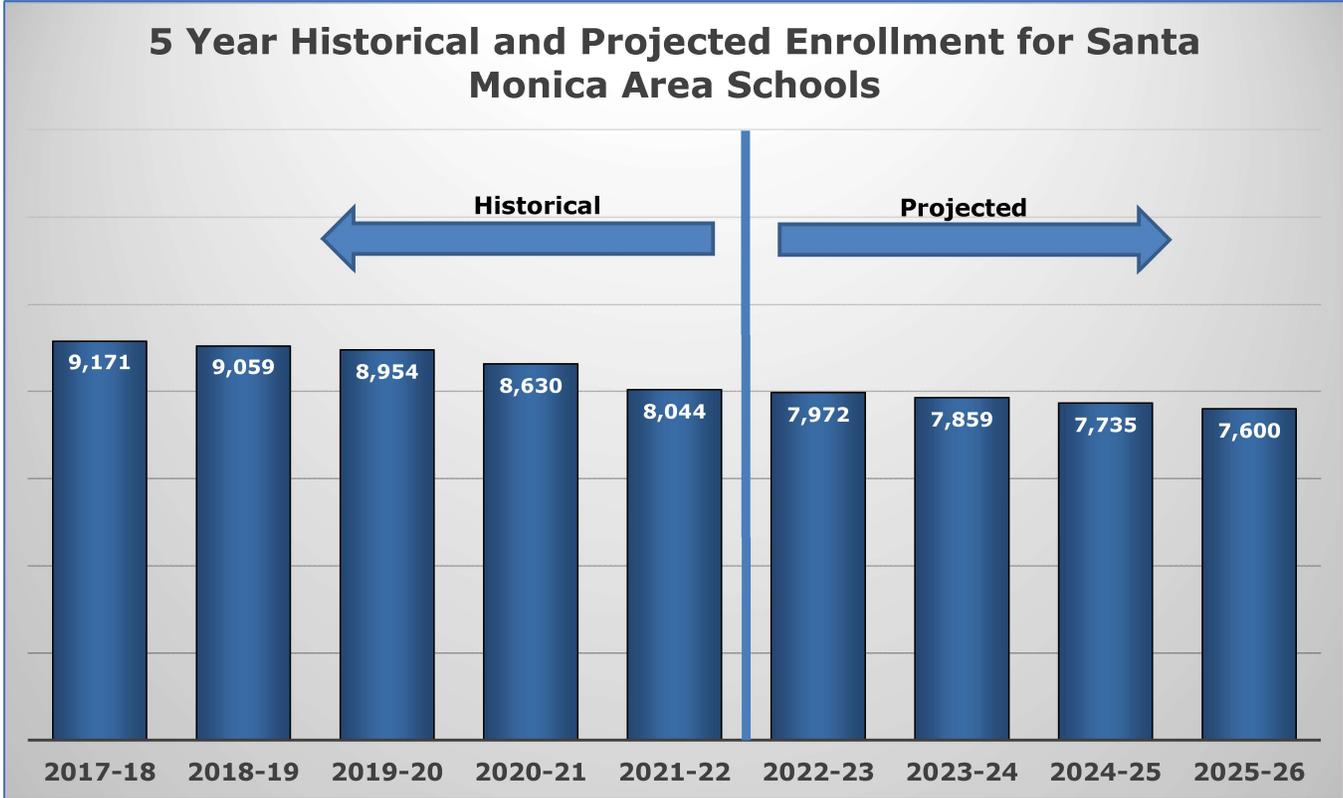
FIGURE 2



Source: Dataquest, "District Enrollment Multi-Year Summary with Charter and Non-Charter Schools" for 2014-15 through 2020-21. Santa Monica-Malibu Unified School District CBEDS enrollment for 2021-22.

If the proposed reorganization occurs, the enrollment in the remaining Santa Monica USD would exceed the minimum 1,501 standard, with a current enrollment of 8,044 at the twelve schools located in Santa Monica. Although enrollment is projected to continue to decline, Santa Monica USD would remain above the 1,501 standard, as shown in **Figure 3**.

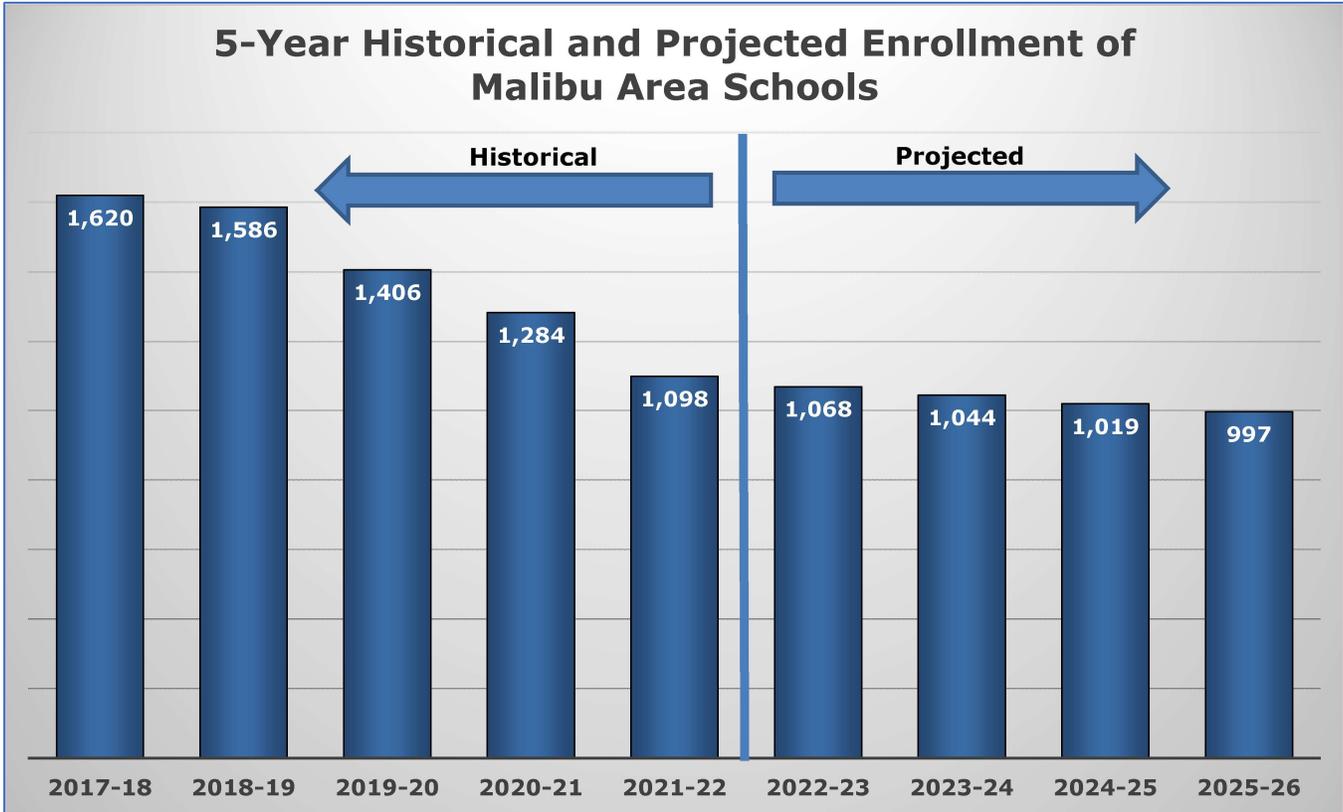
FIGURE 3



Source: Dataquest, "District Enrollment by Grade (with School Data)" for 2017-18 through 2020-21. Santa Monica-Malibu Unified School District CBEDS enrollment for 2021-22.

If the proposed reorganization occurs, the enrollment in the new Malibu USD would not likely exceed the minimum 1,501 standard, with a current enrollment of 1,098 at the four schools located in the Malibu area. Enrollment is projected to continue to decline in the Malibu area, as shown in **Figure 4**. It is important to note that these enrollment figures do not account for Malibu students currently enrolled in Independent Study classes due to the current COVID-19 pandemic. All Independent Study students are accounted for in the Santa Monica area schools enrollment figures.

FIGURE 4



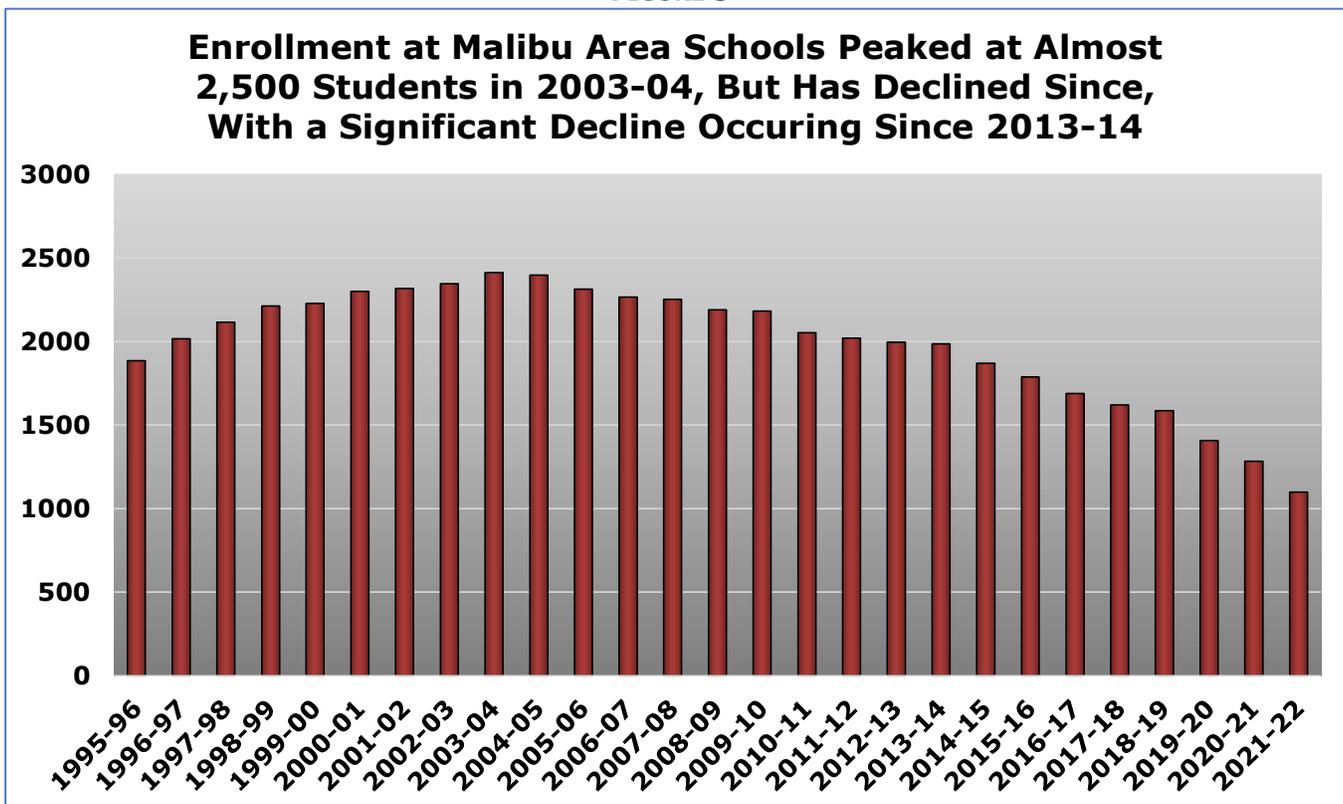
Source: Dataquest, "District Enrollment by Grade (with School Data)" for 2017-18 through 2020-21. Santa Monica-Malibu Unified School District CBEDS enrollment for 2021-22.

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 of the Malibu area as well as the declining population in 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 due to their response to PCBs found in Malibu schools, educational program offerings, financial management, among other concerns

FIGURE 5



Source: California Department of Education, DataQuest.

City of Malibu Population Decline

California, as a whole, and Los Angeles County are experiencing a population decline due to fewer births, less immigration, and COVID-19, according to the California Department of Finance. The City of Malibu is also seeing a population decline due to the above listed factors coupled with 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% since 2010. 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.

Included in the population figures is the loss of residents due to the Woolsey Fire in 2018. The Woolsey Fire was 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 as well as an additional 397 homes outside of City limits, within the unincorporated area of Los Angeles County, all part of the Malibu area 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 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 policy 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 for residents. In November 2020, the City Council adopted an ordinance to establish provisions to regulate short-term rentals including a primary residency requirement. The City is working through the California Coastal Commission process in order to implement this ordinance. The Coastal Commission is expected to hold a public hearing on this by July 2022.

These active changes to City affordable housing and short-term rental policies will increase 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. Although several factors have led to the catastrophic enrollment loss in Malibu area schools, the change in City policies alone will not rectify the situation. The Malibu City Council has recognized the enrollment crisis in Malibu, but these concerns are falling on deaf ears with the Board and leadership of SM-MUSD. This is one of the main factors driving the City's reorganization petition.

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 Malibu USD, 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 Malibu USD, 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

Although the CCR clearly states the minimum enrollment threshold of 1,501 for a unified school district, it also clearly states that the intent of this criteria is to prevent a dependence on the County Office of Education or State support. Therefore, when evaluating this proposed reorganization, the entirety of the language in the CCR must be taken into consideration. Further the California Department of Education School District Organization Handbook (CDE Handbook), provides guidance that exceptional situations may exist that warrants approval of a proposal. It then specifically includes an example of an exceptional situation related to the enrollment threshold set forth in Criterion #1 (see **Figure 6** for a screenshot of Chapter 6, page 10 of the CDE Handbook).

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.

As a basic aid district, the proposed Malibu USD would have sufficient funding where it would not be dependent on the County Office of Education or the State for administrative or financial support.

Ability to Meet Feasibility Criterion #1:

The proposed Santa Monica USD’s enrollment is projected to be significantly above the 1,501 student threshold. Although the proposed Malibu USD 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.

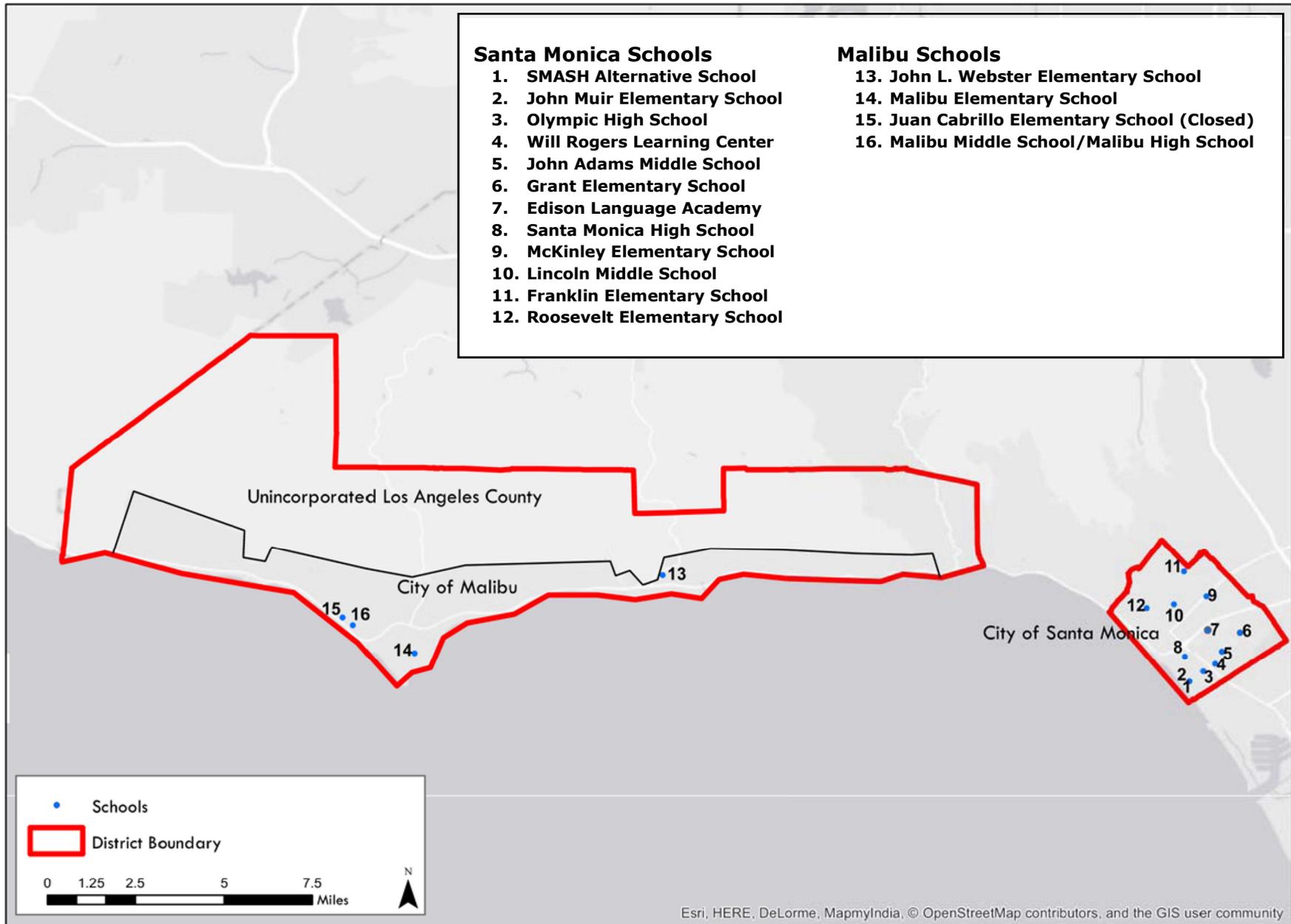
Guidance from CDE Handbook on Community Identity

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 General Plans for each city and the results of a community identity survey of residents in both communities.
- 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 built within the canyons.
- Similarly, there is a strong community identity within the remaining Santa Monica USD.
 - 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



Santa Monica-Malibu Unified School District

Date: 2/21/2017

Analysis of Criterion #2:

The petition submitted by the City of Malibu is for the formation of a new Malibu USD. The boundary for the proposed Malibu USD is comprised of territory already located within an established community – the City of Malibu – and includes portions of neighboring unincorporated Los Angeles County. The area is **not contiguous** with the remainder of Santa Monica USD, as shown in **Figure 7**.

With the proposed reorganization, the new Santa Monica USD’s boundaries would encompass the entire City of Santa Monica, as shown in **Figure 8**. 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 8
SANTA MONICA USD PROPOSED BOUNDARIES**



With the proposed reorganization, the new Malibu USD’s boundaries would encompass the entire city of Malibu as well as some neighboring portions of unincorporated Los Angeles County, as shown in **Figure 9**. 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 9
MALIBU USD PROPOSED BOUNDARIES



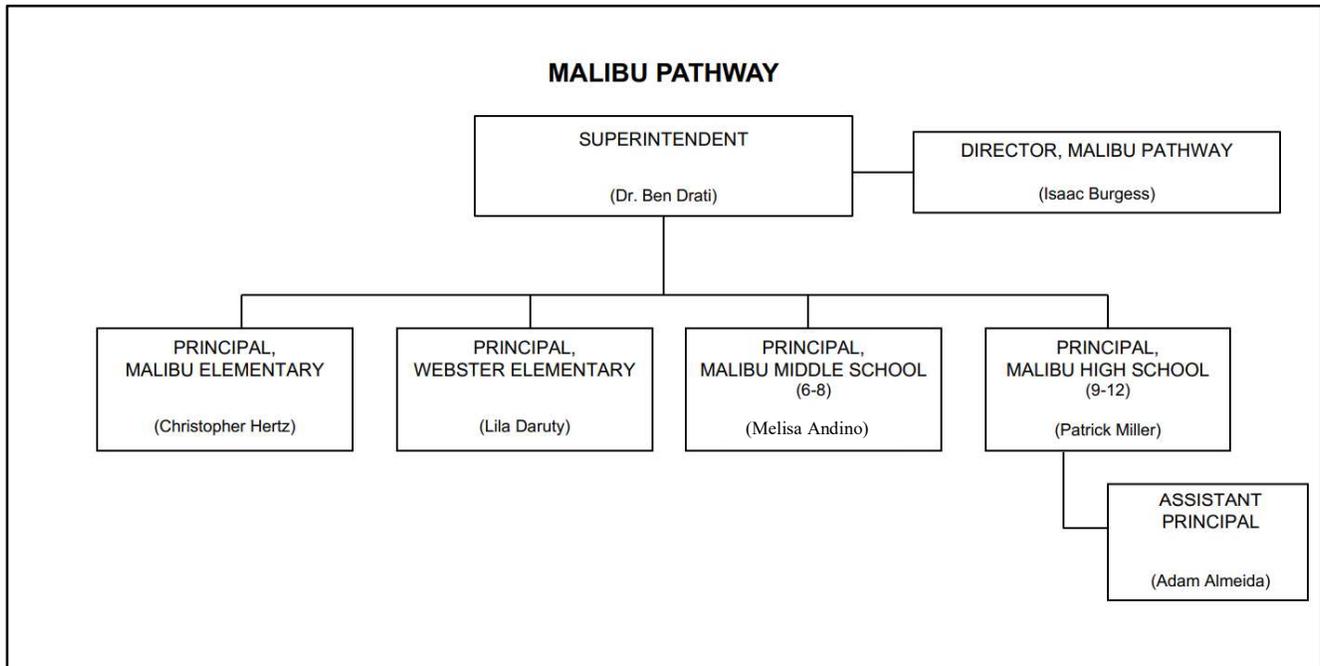
When Malibu and Santa Monica were joined together more than 70 years ago, it was a matter of convenience due to the rural and minimal population of the Malibu area. But over time, both communities have grown and changed in dramatically different ways. The synergies that were once present are simply non-existent 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 separate 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 independent 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, January 2022.

Community Identity Survey

The City of Malibu felt instinctively that an independent Malibu USD would 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.

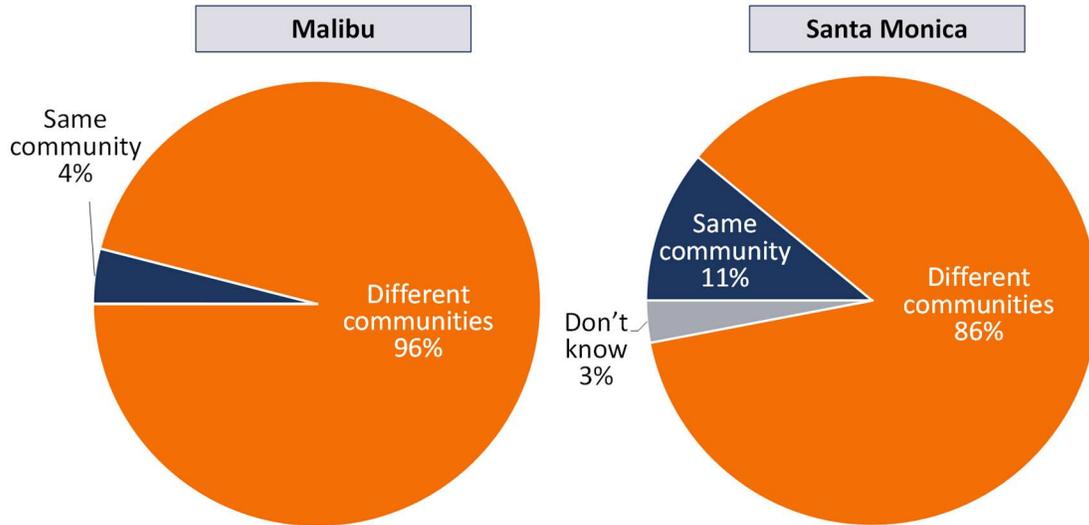
Through the expertise of Dr. Bernard and FM3 Research, the City conducted a community identity survey to obtain qualitative data from residents in both Malibu and Santa Monica related to how residents view their own community and whether they have a direct community association with the other community. 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.

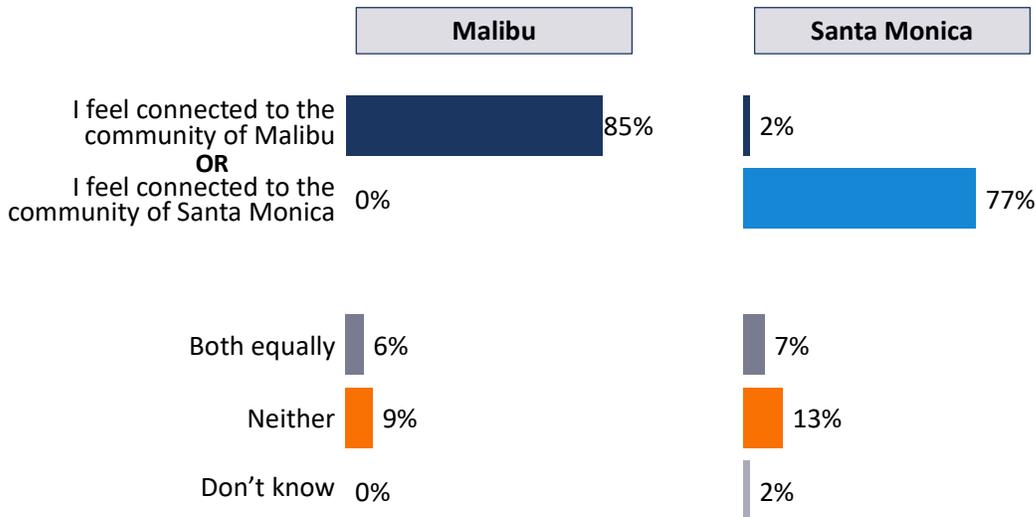
Do you consider (the City of Santa Monica and the City of Malibu/the City of Malibu and the City of Santa Monica) to be part of one community or different communities?



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.

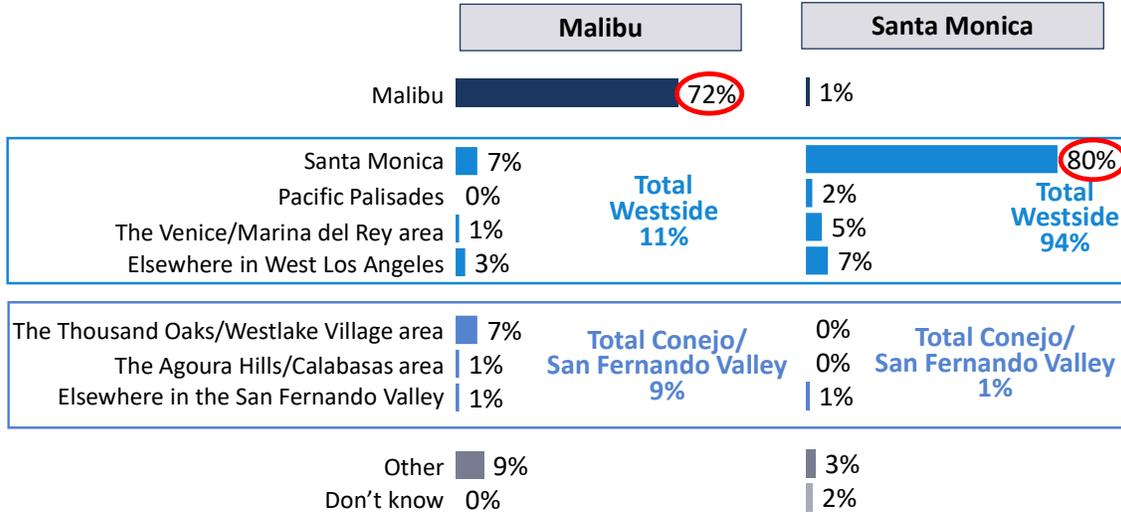


When considering where residents spend most of their free time, Malibu and Santa Monica residents primarily socialize in their own cities. (**Figure 13**) Residents very rarely socialize in the other city, again demonstrating that there is little commonality between the two communities.

FIGURE 13

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

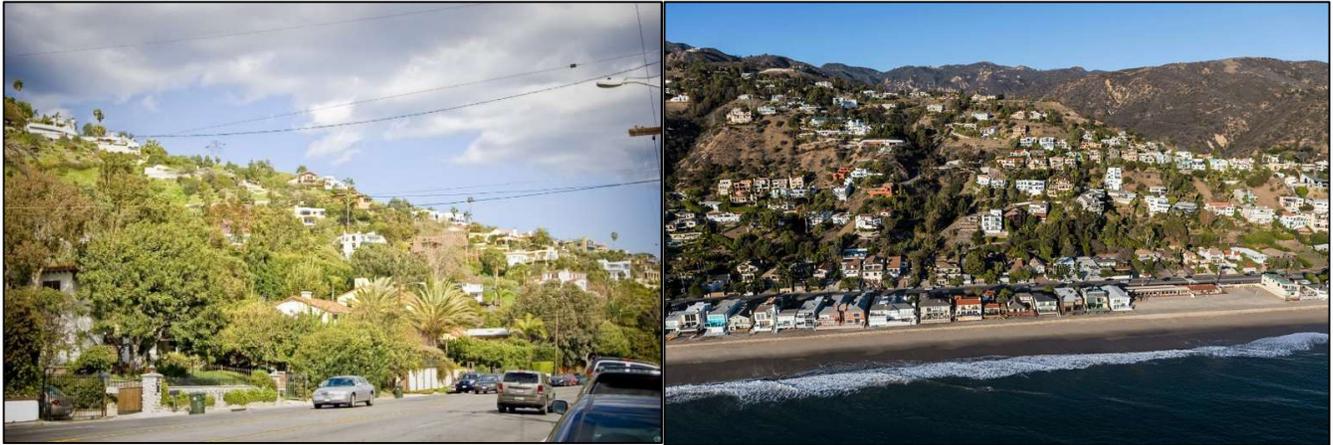
Where would you say most of your social life takes place?



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 **Figures 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 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 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

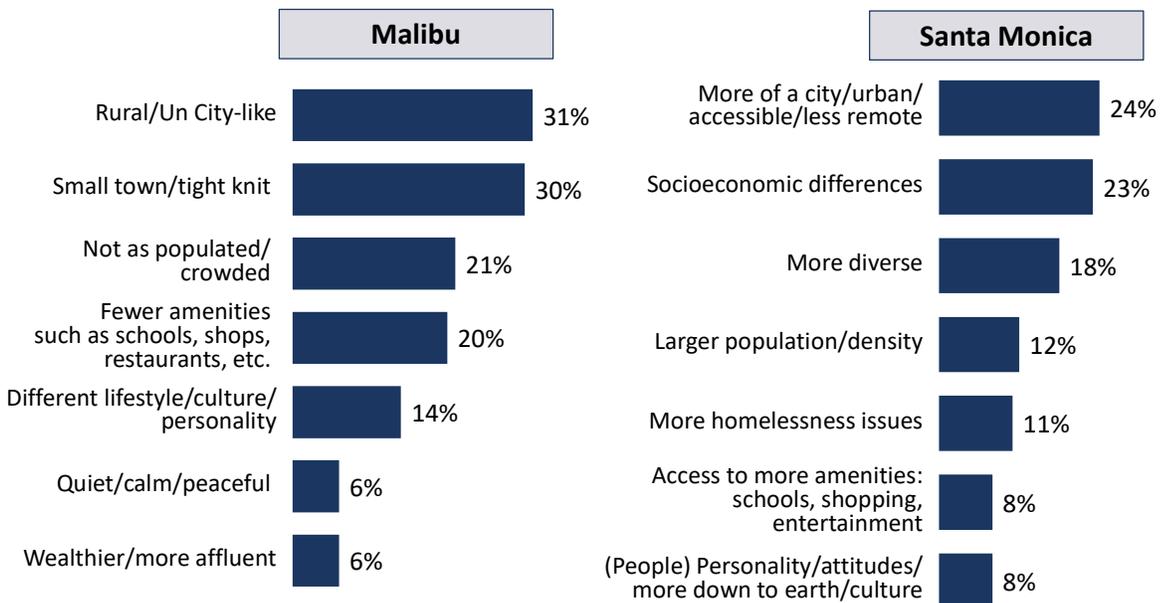


Different Community Characteristics. Residents surveyed agree that Malibu and Santa Monica differ as communities in their rural/small town versus urban/city feel (**Figure 17**). Respondents see Malibu as a rural community with a small town/tight knit feel. The Malibu area has fewer amenities and a different 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

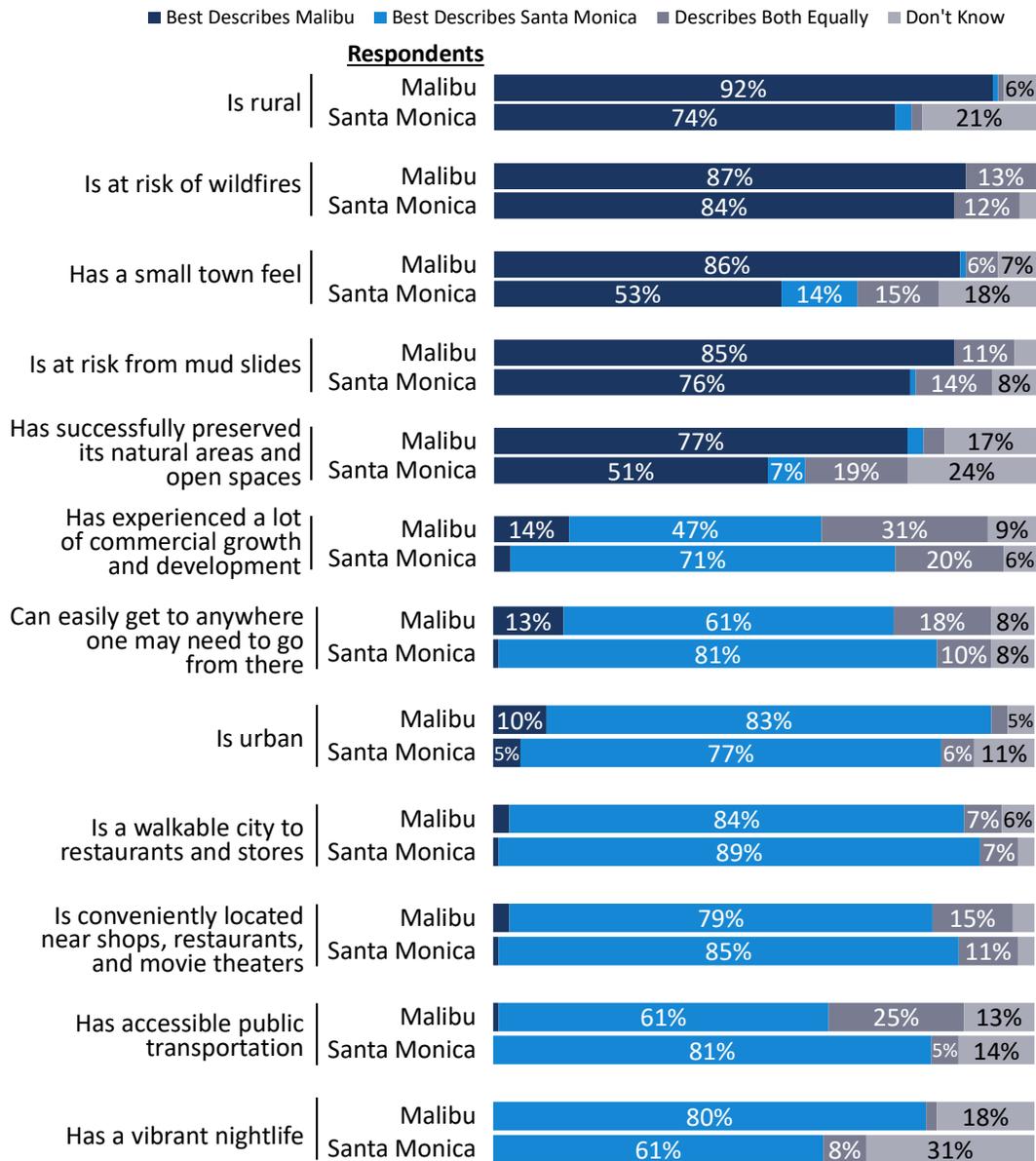
Most respondents say that Malibu and Santa Monica differ as communities in their rural/small town versus urban/City feel.

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



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

FIGURE 18
Respondents overwhelmingly associate different traits with Malibu and Santa Monica.



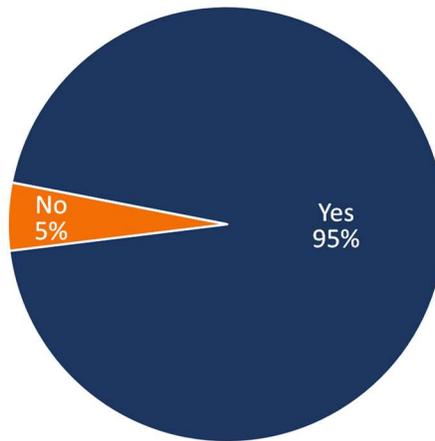
The responses to the survey demonstrate the stark differences between Malibu and Santa Monica, but also show that each community is united in how it sees its own area. This demonstrates the strong community identity within the Malibu area separate from the community identity of the Santa Monica area.

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 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?

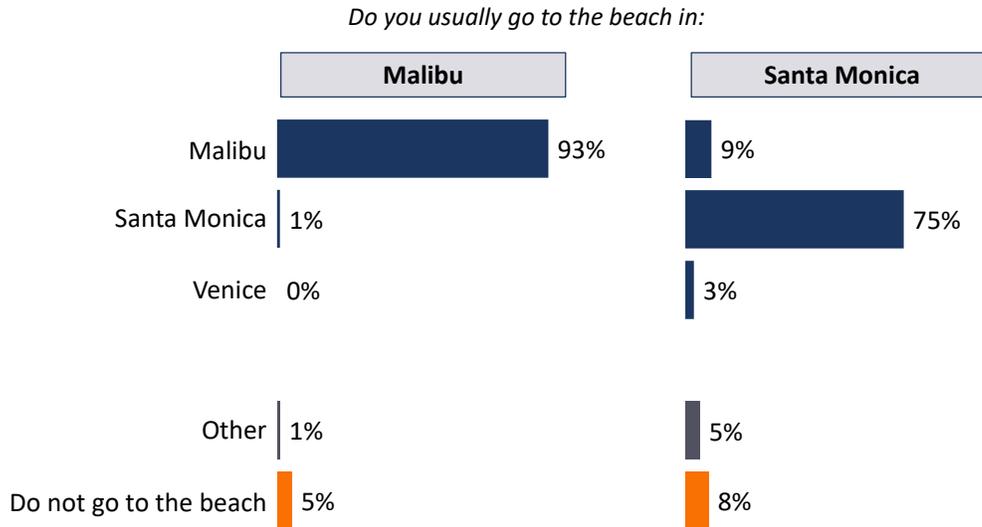
*(Asked Only of Those Who With Children Under 19 Who Participate in Organized Recreational Youth Sports)
(Santa Monica Respondents Shown, n=22)*



This same separation of the two communities 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.

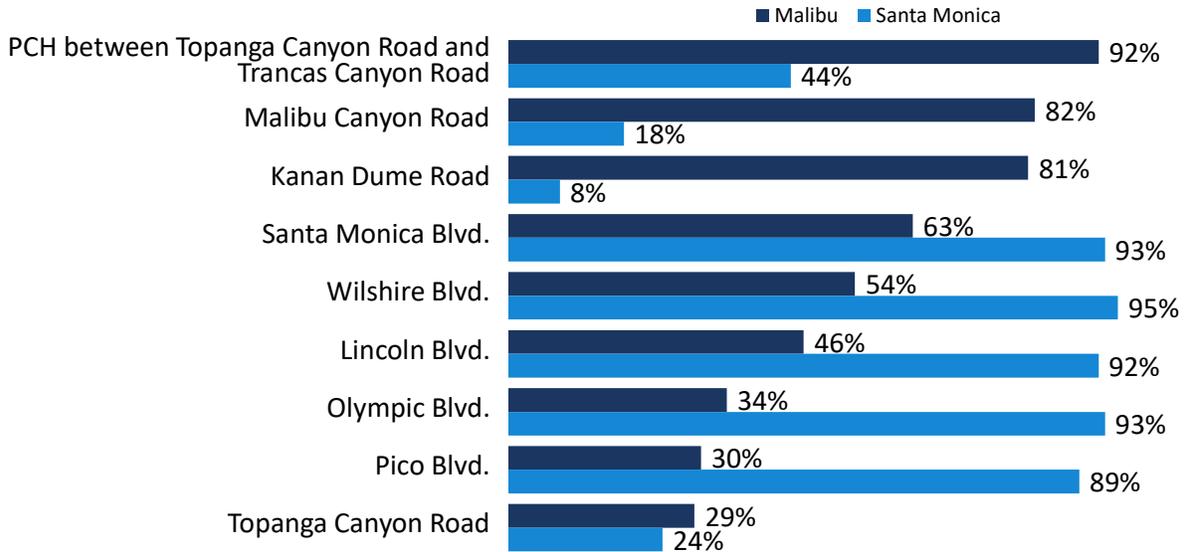
There is a clear difference in the roads Malibu and Santa Monica respondents use in their daily lives, as expected due to the distance between these two cities. (**Figure 21**) Malibu residents predominately travel on PCH, between Topanga Canyon Road and Trancas Canyon Road, on Malibu Canyon Road and 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)

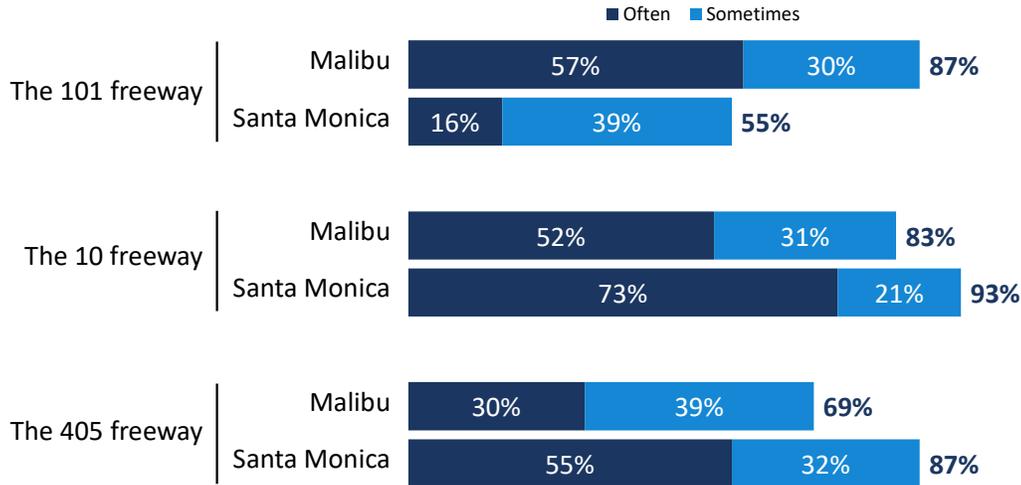


In addition to their divergent local street patterns, these two communities likewise use different highways/freeways in their daily lives. (**Figure 22**) This further demonstrates the separation between Malibu and Santa Monica. Malibu respondents are far more likely to use the 101 Freeway than are Santa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

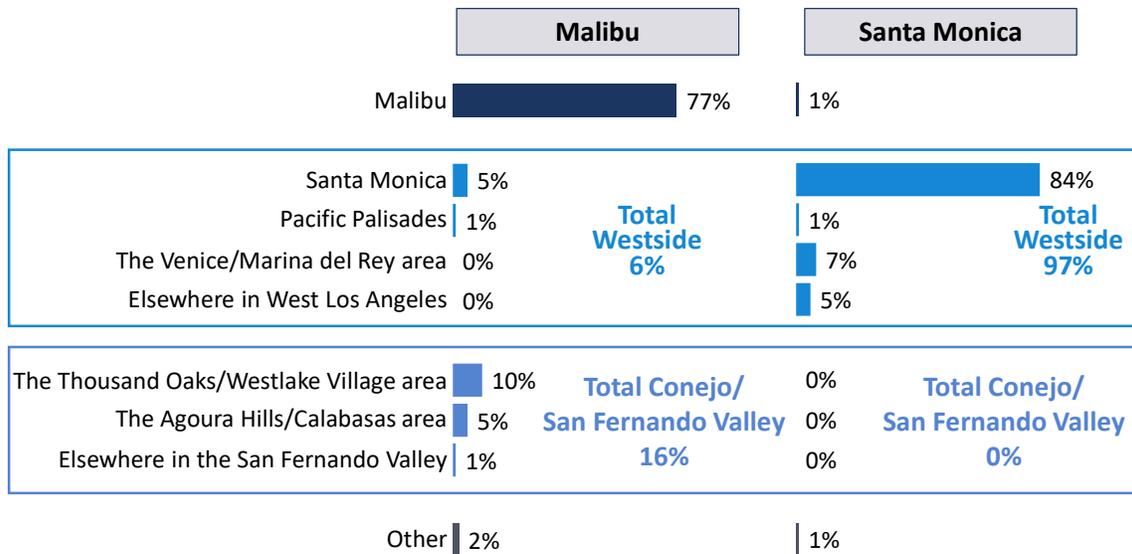
Further, the communities of Malibu and Santa Monica have separate Chambers of Commerce, service clubs, and other organizations. Other than the school district, the two communities do not share other community-based groups or organizations.

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:

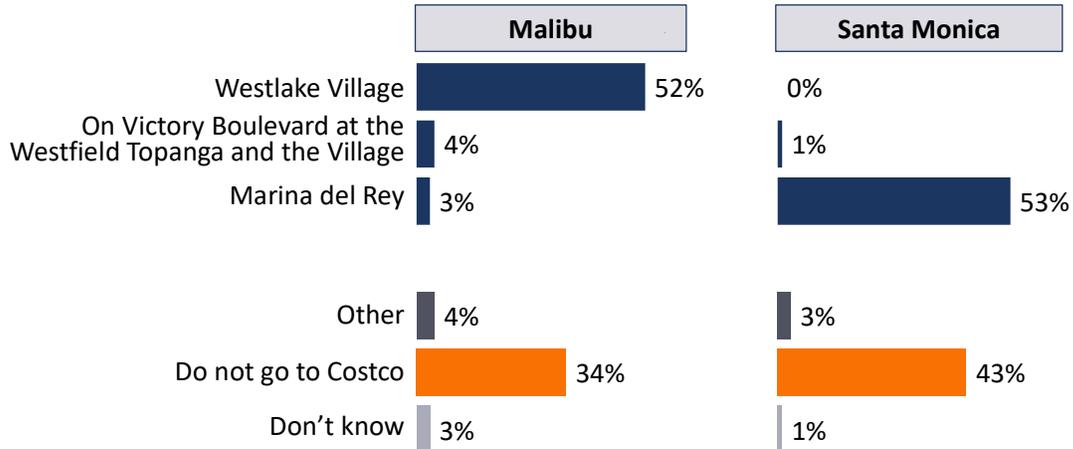


FIGURE 25

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:

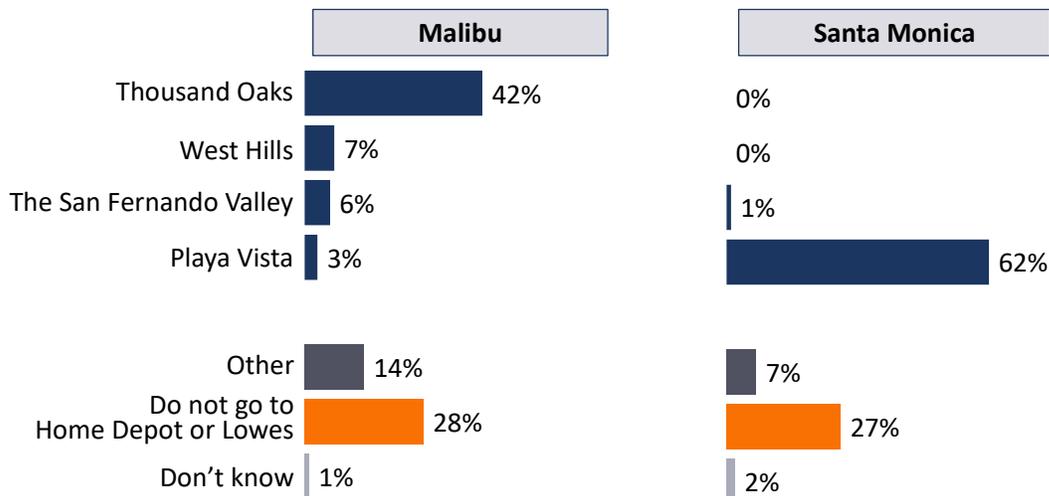


FIGURE 26

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:

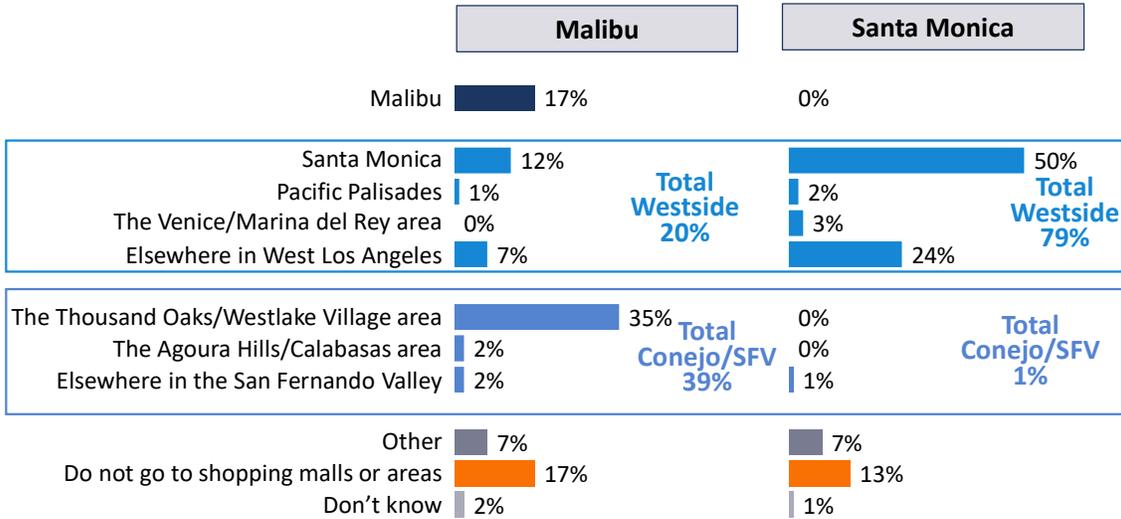
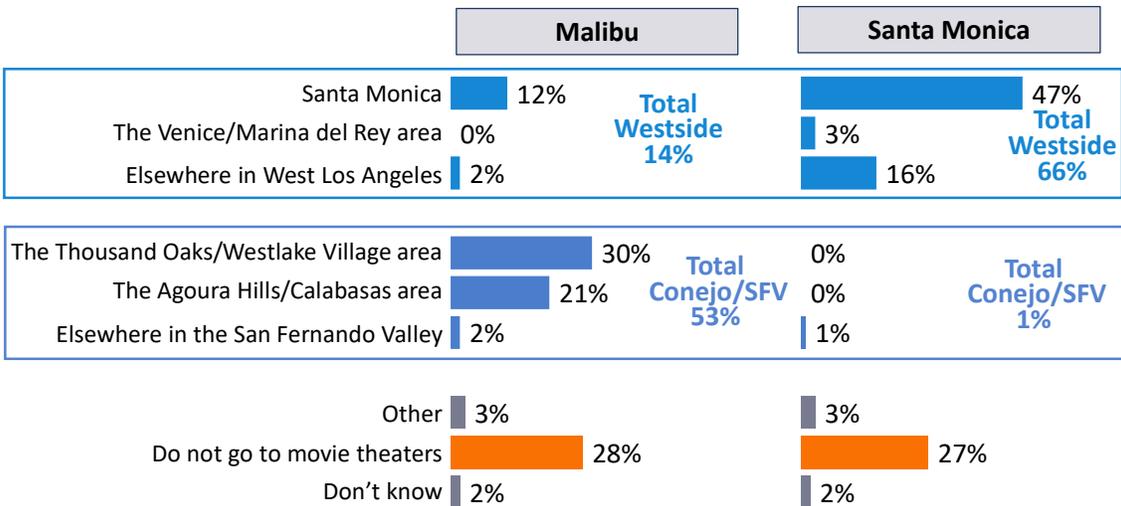


FIGURE 27

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)

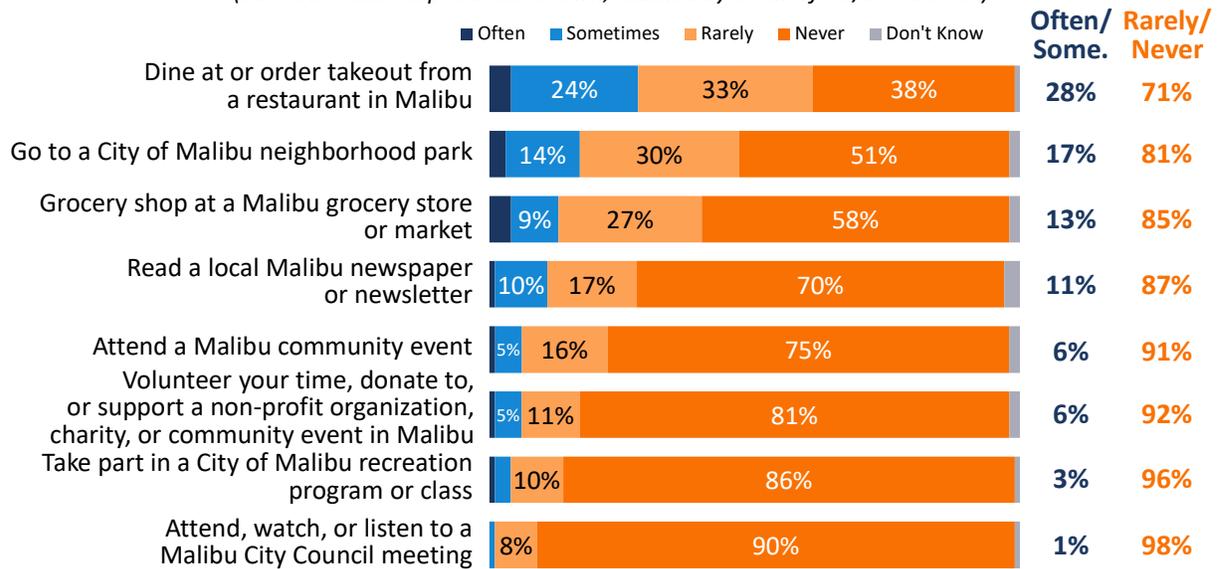


FIGURE 29

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)

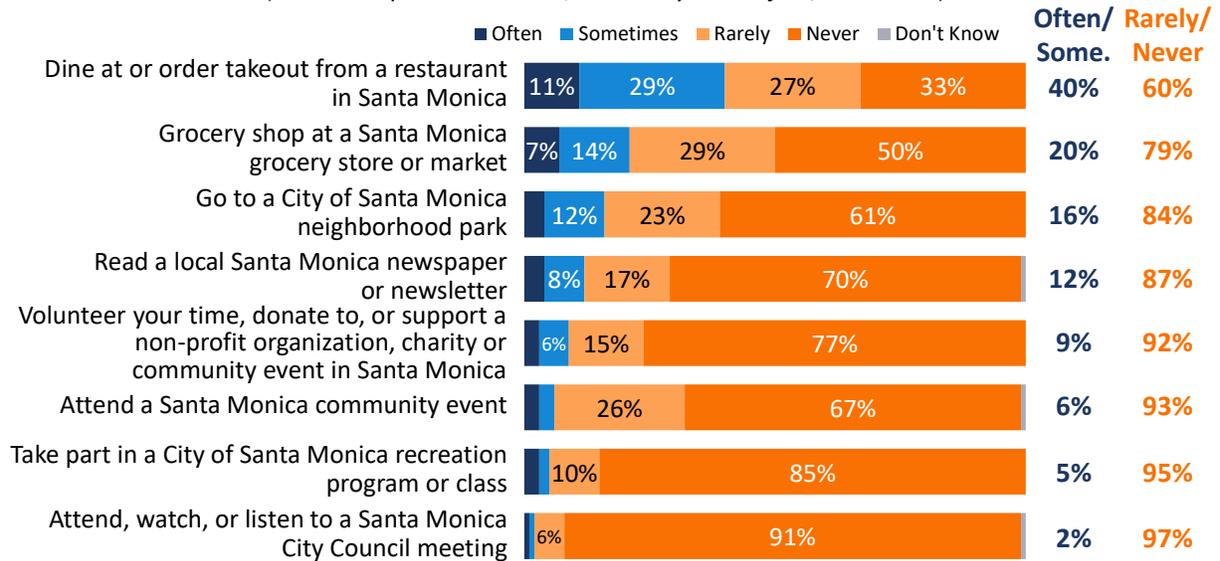
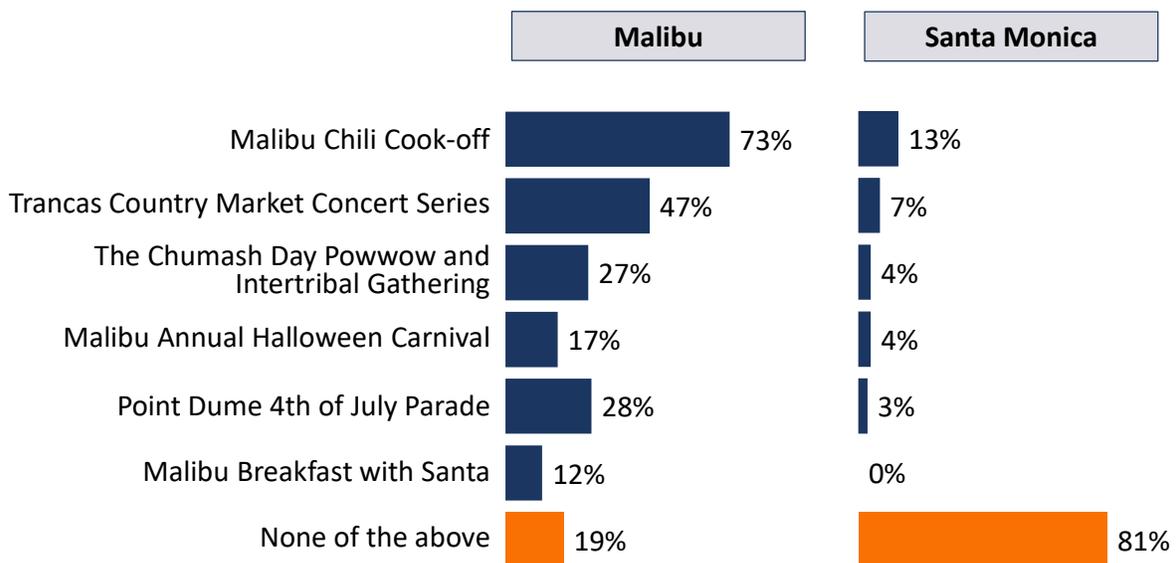


FIGURE 30

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?

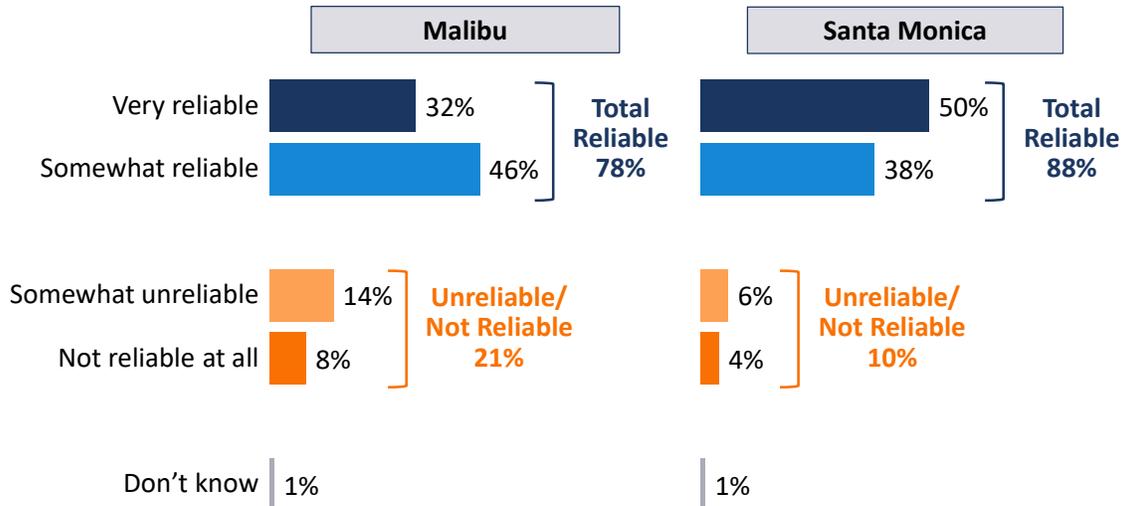
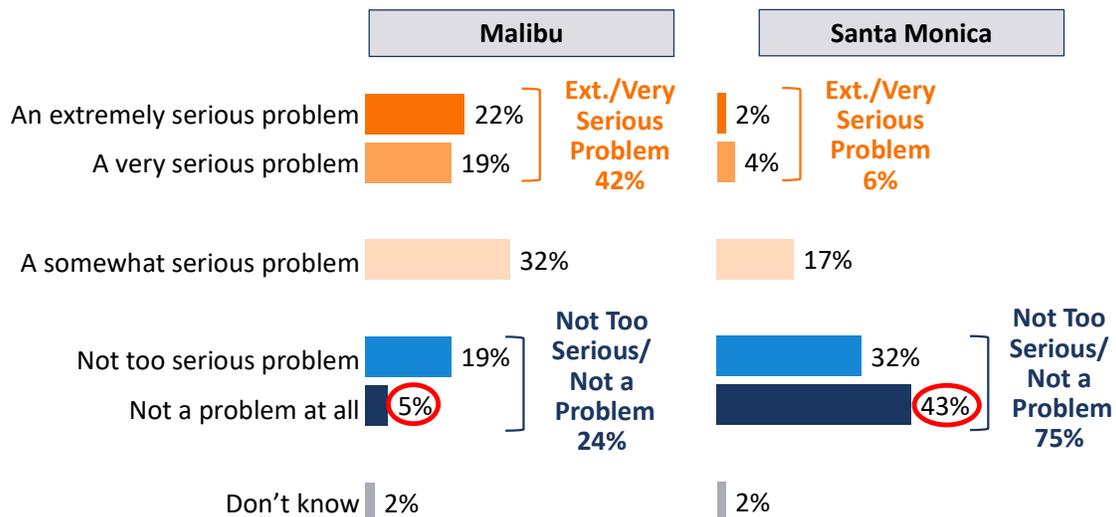


FIGURE 32

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:

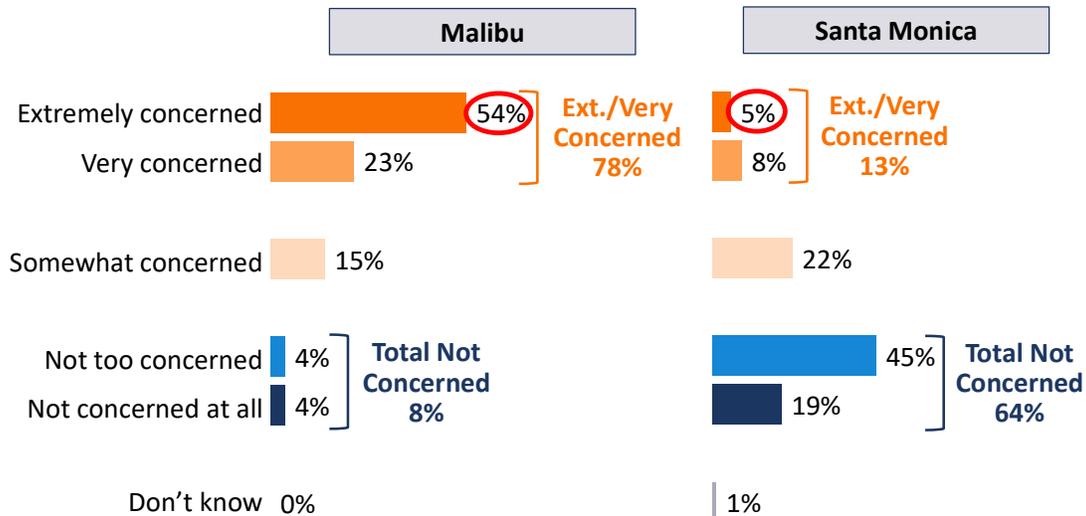


An issue commonly identified by Malibu survey respondents is their concern with power outages where they live, with nearly eight in ten Malibu residents expressing concern. (**Figure 33**) This is simply not a problem in Santa Monica.

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 Malibu USD 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 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:

- Real and personal property would be distributed based on the location of such property.
 - District-wide property would be allocated based on a method agreed upon by the two parties.
- The high value investment property located at 1707 4th Street in Santa Monica would be retained by Santa Monica USD, along with the ongoing lease revenues.
 - The proposed Malibu USD would like consideration of its investment in the property with a buy-out used to fund start-up facilities needs of the new district.
- Existing provisions of the Education Code may be utilized to achieve equitable distribution of property, funds and obligations between the proposed Malibu USD and the remaining Santa Monica USD.

Analysis of Criterion #3:

Real Property

Based on the location of real property currently owned by SM-MUSD, the proposed reorganization would result in the transfer of five school sites – Webster Elementary, Juan Cabrillo 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 Malibu USD would not have an impact on the operations of Santa Monica USD 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

Parcels Owned by Santa Monica-Malibu Unified School District			
APN	Use	Location	Lot Acres
Malibu Parcels			
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 Santa Monica USD. Such parcels are identified in **Figure 35**. Of the 28 parcels identified that would remain with Santa Monica USD, most are utilized as school campuses or ancillary school uses, such as parking lots.

SM-MUSD’s Investment Property. 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 likely has a high market value. Under this petition, the City of Malibu is proposing that Santa Monica USD would retain ownership of the 4th Street parcel and would continue to benefit from the ongoing lease revenues as unrestricted General Fund revenues. However, since the Malibu community proportionately funded this investment, it is proposed that Santa Monica USD would provide Malibu USD with facilities funds to pay for start-up facilities expenditures to compensate Malibu USD for the value of this investment. These expenditures would include: construction of a maintenance/ operations/transportation facility, central kitchen facility, administrative office space, and classroom modifications for an Alternative Education and Independent Study campus. The estimated scope and location of such improvements is described in more detail in the analysis of Criterion #7 of this Report.

Alternatively, as part of the discussion between the two agencies, SM-MUSD and the City of Malibu could each obtain an appraisal of the property and provide Malibu USD with their share of the value of the investment in the form of a lump sum payment or payments spread over a three- to five-year period. Ultimately, it would be reasonable for Malibu USD to be compensated for the value of this

shared asset and the method for allocating the payments could be determined as the reorganization moves forward.

FIGURE 35

Santa Monica Parcels			
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 five Malibu schools that would be transferred to the proposed Malibu USD.

Malibu Elementary

Classrooms at Malibu Elementary are clean, 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 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, the utilities were upgraded with new HVAC/thermostats and controls. Water fountains have the 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 K and TK classrooms have restrooms and sinks. The school has 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. Adjacent to this campus is the former Juan Cabrillo Elementary which is currently being used for administration, the independent Boys and Girls Club of Malibu which hosts an after-school program, and a Wellness Center. The Wellness Center is currently providing critical services to the entire community in terms of counseling, Woolsey Fire relief, COVID-related aid, food distribution, and financial aid to many in the Malibu community. The Juan Cabrillo campus is slated for demolition as part of the Facility Master Plan for Malibu High School and Middle School.

Both schools use the same cafetorium/theater. Food is currently being brought up 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 old gym space needs to be modernized or replaced, which is part of the current campus Master Plan. One major concern of note from the facility inspection is the complete disrepair of the locker room, showers, and restrooms. An article published by the Malibu Times in October 2015 described complaints from many parents related to the "deplorable" conditions of the shower facilities.



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. Additional high school classrooms are located in one story portables on the Juan Cabrillo campus.

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.

Finally, there is a bus barn on the property and a place where landscaping equipment and minor tools are kept.

An extensive campus Facility Master Plan describes four phases of improvements that will include 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 Malibu USD would also be transferred to Malibu USD. Districtwide property, such as school buses or maintenance tools, would be subject to division between the proposed Malibu USD and Santa Monica USD. A detailed list of personal property will need to be developed and agreement will need to be reached as to the division of such property. As described in the CDE Handbook, the personal property may be appraised at current market value as of June 30 of the school year prior to the date that the new district becomes effective. The value would be used to determine the proportionate allocation of such property.

It is likely the case that the proposed Malibu USD would need to acquire additional equipment related to the central administrative and support facilities. Such funding could come from the Malibu area's share of the 4th Street real estate investment property.

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 2021-22, the Malibu area of the District comprises 33.3% 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. \$310 million of the \$485 million authorized under this measure has been issued to date, with \$175 million of authorized but unissued bonds remaining. The authority to issue all authorized but unissued bonds would remain with Santa Monica USD.

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. \$115 million of the \$195 million authorized under this measure has been issued to date, with \$80 million of authorized but unissued bonds remaining. The authority to issue all authorized but unissued bonds would be transferred to the proposed Malibu USD, as the entire territory of SFID No. 2 is coterminous within the proposed boundaries of Malibu USD.

Figure 36 shows the series, issue and maturity dates, the original issue and the bonds outstanding as of January 2022.

FIGURE 36

Outstanding Bonds				
Series	Issue Date	Maturity	Original Issue	Bonds Outstanding As of January 2022
Election 1998, Series 1999	5/26/1999	8/1/2023	\$38,000,034	\$3,794,648
2013 Refunding Bonds	1/8/2013	8/1/2032	\$45,425,000	\$4,300,000
Election 2006, Series D	3/19/2013	7/1/2037	\$82,995,327	\$2,020,000
2015 Refunding Bonds	11/10/2015	8/1/2034	\$47,915,000	\$10,350,000
2016 Series A Refunding Bonds	10/11/2016	7/1/2035	\$28,190,000	\$25,305,000
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	\$52,025,000
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	\$11,070,000
SFID No. 1 Election 2018, Series A	10/2/2019	8/1/2049	\$110,000,000	\$80,080,000
SFID No. 2 Election 2018, Series A	10/2/2019	8/1/2049	\$35,000,000	\$24,135,000
Election 2012, Series E	11/6/2019	8/1/2036	\$115,000,000	\$115,000,000
2019 Refunding Bonds	11/6/2019	8/1/2043	\$105,915,000	\$102,900,000
2020 Refunding Bonds	8/5/2020	7/1/2040	\$74,720,000	\$73,755,000
SFID No. 1 Election 2018, Series B	7/1/2021	8/1/2050	\$200,000,000	\$200,000,000
SFID No. 2 Election 2018, Series B	7/1/2021	8/1/2050	\$80,000,000	\$80,000,000
2021 Refunding Bonds	9/1/2021	8/1/2038	\$122,170,000	\$122,170,000
Total				\$941,614,648

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 Malibu USD follow the same boundaries as SFID No. 2, taxpayers within the proposed Malibu USD’s boundaries would be responsible for the repayment of all SFID No. 2 bonds. Likewise, since the boundaries of the remaining Santa Monica USD follow the same boundaries as SFID No. 1, taxpayers in the remaining Santa Monica USD 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 Malibu USD’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**, currently, the SM-MUSD outstanding Districtwide bonds are 0.85% 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 1.27% of the assessed value of the remaining district. This is well below the 5% threshold set forth in the Education Code.

FIGURE 37

Outstanding Bonds as a Percentage of Assessed Value	
Outstanding Districtwide Bonds (Non-SFID)	\$557,399,648
Santa Monica-Malibu USD Assessed Value	\$65,703,186,874
Bonded Indebtedness as a % of Assessed Value	0.85%
Remaining Santa Monica USD Assessed Value	\$43,832,540,066
Bonded Indebtedness as a % of Assessed Value	1.27%

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 Santa Monica USD, as it was used to fund the administrative office building that will be used exclusively by Santa Monica USD. The revenue source committed for COP repayment is redevelopment pass-through funds, which will be retained in their entirety by Santa Monica USD. Given the use of the COP proceed is for a building to be retained by Santa Monica USD and the dedicated repayment source for the COP is a revenue sources to be retained by Santa Monica USD, it is proposed that the liability for the COP and responsibility for repayment would be with Santa Monica USD.

Fund Balances, Reserves, and Liabilities

Fund balances can be allocated based on how the funds were originally generated. It would be expected that categorical funds would be allocated based on the ADA that generated those funds and other educational-related fund balances can be allocated based on ADA of the two districts. All student funds and those scholarship funds not restricted to a specific school site would be divided based on proportional ADA. The Building Fund, since it is comprised of GO Bond proceeds should be allocated based on the SFID in which the bond money was originated. Other facilities fund balances can be allocated by ADA.

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

Since the employees currently assigned to the four Malibu areas schools would become part of the proposed Malibu USD, the proposed Malibu USD would be responsible for its proportionate share of pension costs and OPEB liabilities based on Full Time Equivalent Employees (FTEs) assigned to Malibu area schools. Any fund balances available in pension or OPEB reserves could be allocated on the same FTE basis.

Figure 38 provides a summary of the proposed basis of division for each asset and liability of SM-MUSD.

FIGURE 38

Asset and Liability Distribution	
Assets	Basis of Division
Unrestricted General Fund	ADA
Restricted General Fund	ADA of Each Program
Adult Education	ADA
Child Development	ADA
Cafeteria Special	ADA
Deferred Maintenance	ADA
Building Fund	SFID
Capital Facilities	ADA
Special Reserve for Capital Outlay	ADA
Bond Interest and Redemption	(See Below)
Retiree Benefit	FTE

Liabilities	Basis of Division
General Obligation Bonds	Assessed Valuation
COP Payable	SMUSD
Net Pension Liability	FTE
OPEB Liability	FTE
Compensated Absences Payable	FTE

Ability to Meet Feasibility Criterion #3:

It is reasonable to expect that property will be divided in an equitable manner should the reorganization be approved. Transferring physical property to the school district where the property is located seems reasonable and appropriate. Also, using ADA and FTEs as the basis for dividing other assets and liabilities, except for debt obligations, seems reasonable and appropriate. General Obligation Bond proceeds would be divided based on the SFID in which the proceeds were generated. Finally, allocating the COP debt to Santa Monica USD based on the use of such funds and intended repayment source would likely make the most sense.

Ultimately, the proposed Malibu USD and remaining Santa Monica USD 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.

Additionally, 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. Such proposals promote segregation and discrimination."

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.

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 districtwide 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.”

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 39**, the ethnic make-up of the Malibu area schools is currently 77% white and 23% non-white students, while the ethnic make-up of the Santa Monica area schools is currently 46% white and 54% 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 39

2020-21 Student Enrollment by Ethnicity		
Name	% Non-White Students	% White Students
Malibu Area Schools		
Malibu Elementary School	27%	73%
Malibu High	24%	76%
Malibu Middle	23%	77%
Webster Elementary	16%	84%
Combined Malibu Area Schools	22.7%	77.3%
Santa Monica Area Schools		
Edison Elementary	70%	30%
Franklin Elementary	32%	68%
Grant Elementary	50%	50%
John Adams Middle	70%	30%
John Muir Elementary	62%	38%
Lincoln Middle	49%	51%
McKinley Elementary	57%	43%
Olympic High (Continuation)	68%	32%
Roosevelt Elementary	31%	69%
Santa Monica Alternative (K-8)	42%	58%
Santa Monica High	58%	42%
Will Rogers Elementary	64%	36%
Combined Santa Monica Area Schools	54.2%	45.8%

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 40**. Post reorganization, the remaining Santa Monica USD student population would have a 4.7% increase in its non-white student population. An increase of 4 percentage points on the minority population of Santa Monica USD 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.

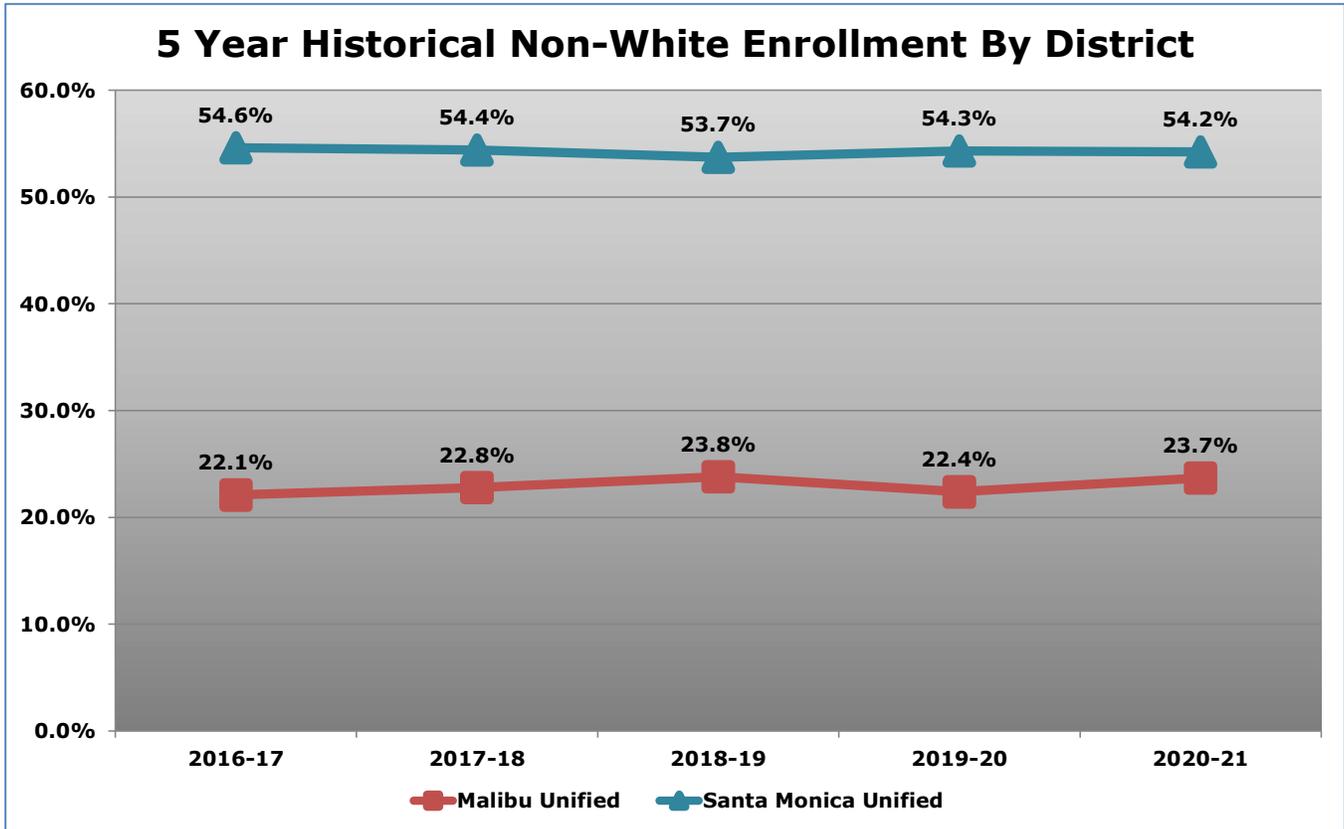
FIGURE 40

2020-21 Student Enrollment by Racial Groupings		
District	Non-White Students	White Students
Santa Monica-Malibu Unified School District	49.5%	50.5%
Santa Monica Unified School District	54.2%	45.8%
Malibu Unified School District	22.7%	77.3%

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 41**.

FIGURE 41

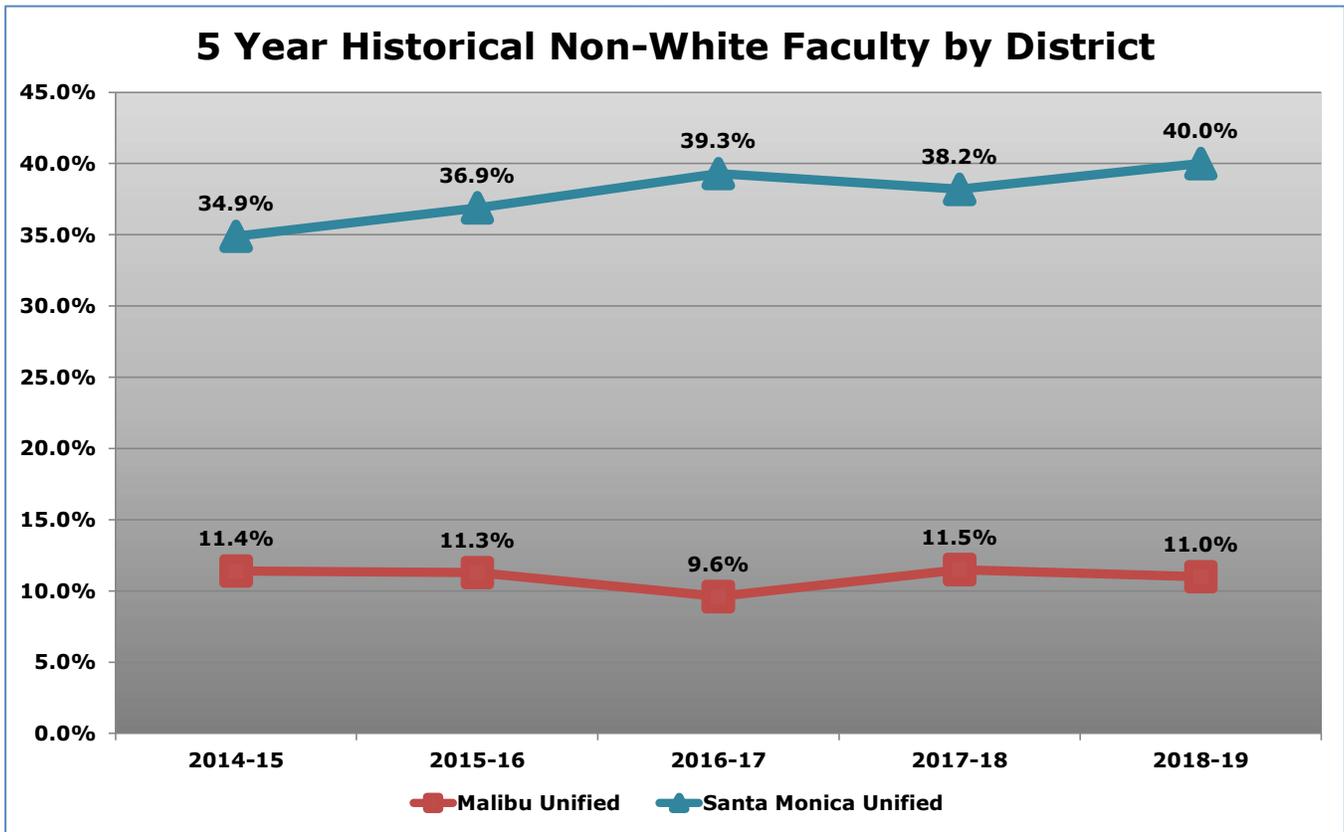


Source: California Department of Education, DataQuest.

Based on the standards and conditions outlined in the CDE Handbook, it does not appear that the non-white population of either the proposed Malibu USD or the remaining Santa Monica USD 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 Santa Monica USD, but it will not grow to such a level as to merit a concern about segregation.

Further considered is the ethnic make-up of the faculty serving students in Malibu area schools as compared to Santa Monica area schools. As shown in **Figure 42** the faculty in each community similarly reflects the ethnic make-up of the student population of the school sites.

FIGURE 42



Source: California Department of Education, DataQuest.

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, the Santa Monica and Malibu USDs 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 Malibu USD. This desire was expressed in the visioning study described in the analysis for Criterion #6 in this

Report. Ultimately, the future Malibu USD 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 the 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 Malibu USD school board could adopt policies to ensure the new district does not create an environment that 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 Malibu USD and the remaining Santa Monica USD 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

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, or UPC),
- 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, the higher the percent of students who are disadvantaged, the higher the level of per-student funding. 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 25%. The underlying UPC for Malibu students is estimated at 17% while the underlying UPC for Santa Monica students is approximately 29%. Therefore, when Malibu students are removed from the current district's calculation, Santa Monica's LCFF entitlement will increase per student as the percent of disadvantaged students increases.

New LCFF calculations were prepared for the proposed Malibu USD and the remaining Santa Monica USD. The enrollment and ADA splits, and the portion of "unduplicated" students that were used by the District were also used for these *pro forma* LCFF calculations. Once the exact students by district of residence are known, the calculations will be updated.

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 2021 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.

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 several 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 to the State due to the proposed reorganization, and when analyzing the additional revenue sources above the calculated LCFF funded amounts.

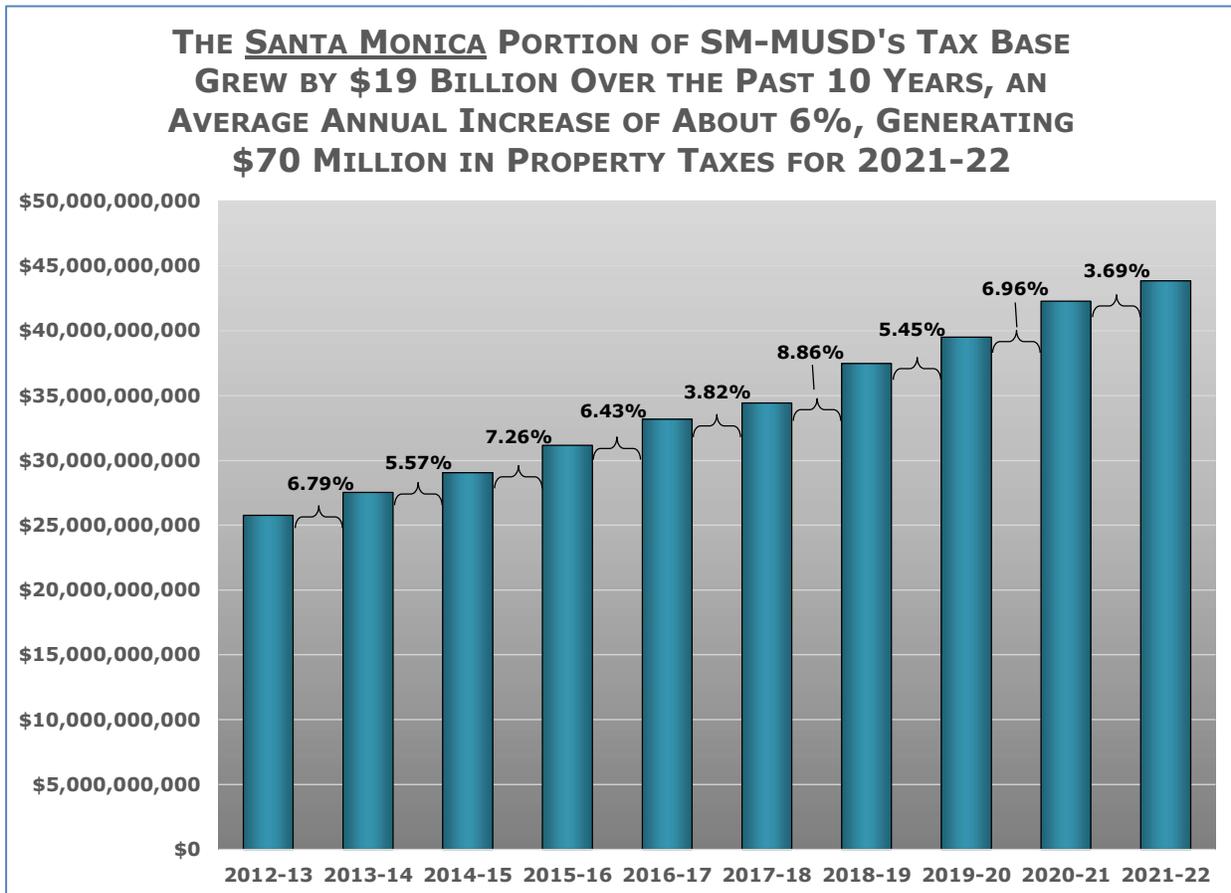
Property Taxes

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." In the absence of an alternative agreed upon allocation method, the amount of property tax revenue attributable to each of the proposed school districts would become the basis for the property tax allocation.

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 Malibu USD and remaining Santa Monica USD, applying the current AB 8 factors to estimate each agency's share of property taxes. The actual allocation would be calculated per Section 99 of the Revenue and Taxation Code.

As shown in **Figure 43**, the Santa Monica USD portion of the tax base has grown by an average annual rate of 6% per year over the past ten years. After adjusting for the redevelopment agency within Santa Monica, their \$43.8 billion tax base will generate approximately \$70 million of unrestricted property tax dollars in 2021-22.

FIGURE 43



Source: Los Angeles County Auditor-Controller.

Although property taxes from the former redevelopment agency are deducted from the amount of general property taxes that Santa Monica USD 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 purposes of determining the amount of State Aid that a district would receive, and in this case, for determining the Basic Aid status of Santa Monica USD.

As provided by the Los Angeles County Auditor-Controller, the Successor Redevelopment Agency will distribute a total of \$3,867,000 in Redevelopment Pass-Through payments and \$16,902,000 in Redevelopment Residual payments for a total of \$20,770,000 in additional property tax dollars for 2021-22. It is important to note that an additional \$5,044,000 of 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 44**, the total property tax revenues for the Santa Monica USD portion of SM-MUSD for 2021-22 is estimated to be approximately \$70 million.

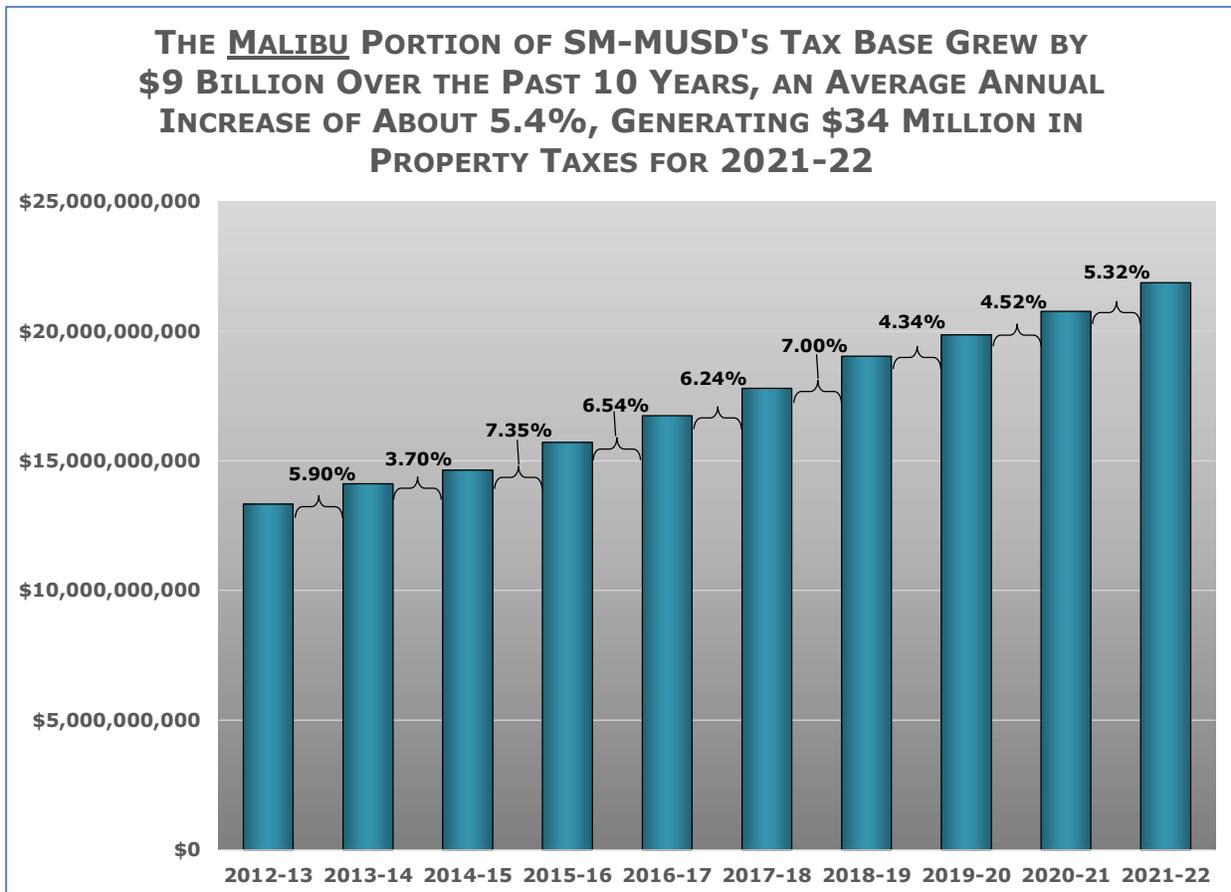
**FIGURE 44
SANTA MONICA USD PROPERTY TAX ALLOCATION FOR 2021-22**

Property Tax Funding Source	Estimated 2021-22
Property Taxes	\$49,053,660
RDA Pass-Through Property Tax	\$3,867,548
RDA Residual	\$16,902,065
Total	\$69,823,274

Source: Los Angeles County Auditor-Controller.

As shown in **Figure 45**, the Malibu USD portion of the tax base has grown by an average annual rate of 5.4% per year over the past ten years. Their \$33.9 billion tax base will generate approximately \$34 million of general property tax dollars in 2021-22. Since there is no redevelopment agency within Malibu, no additional adjustments need to be made to the property tax estimates for the proposed Malibu USD.

FIGURE 45



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 46** to calculate a district’s LCFF entitlement:

FIGURE 46

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

* 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 Malibu USD and remaining Santa Monica USD would receive more in property taxes than the calculated LCFF entitlement, making them both basic aid after reorganization, as shown in **Figures 47 and 48**.

FIGURE 47

Santa Monica USD LCFF Entitlement			
	2022-23	2023-24	2024-25
SUMMARY OF FUNDING			
General Assumptions			
COLA & Augmentation	5.33%	3.11%	3.54%
Base Grant Proration Factor	0.00%	0.00%	0.00%
Add-on, ERT & MSA Proration Factor	0.00%	0.00%	0.00%
LCFF Entitlement			
Base Grant	\$72,039,624	\$73,322,287	\$75,021,112
Grade Span Adjustment	2,648,572	2,698,372	2,760,569
Supplemental Grant	4,001,794	4,346,861	4,447,556
Concentration Grant	-	-	-
Add-ons: Targeted Instructional Improvement Block Grant	429,757	429,757	429,757
Add-ons: Home-to-School Transportation	820,273	820,273	820,273
Add-ons: Small School District Bus Replacement Program	-	-	-
Total LCFF Entitlement Before Adjustments, ERT & Additional State Aid	\$79,940,020	\$81,617,550	\$83,479,267
Miscellaneous Adjustments	-	-	-
Economic Recovery Target	-	-	-
Additional State Aid	-	-	-
Total LCFF Entitlement	79,940,020	81,617,550	83,479,267
LCFF Entitlement Per ADA	\$ 10,211	\$ 10,561	\$ 10,931
Components of LCFF By Object Code			
State Aid (Object Code 8011)	\$ 8,585,843	\$ 8,585,843	\$ 8,585,843
EPA (for LCFF Calculation purposes)	\$ 1,565,766	\$ 1,545,588	\$ 1,527,324
<i>Local Revenue Sources:</i>			
Property Taxes (Object 8021 to 8089)	\$ 74,713,341	\$ 77,545,819	\$ 80,495,166
In-Lieu of Property Taxes (Object Code 8096)	-	-	-
<i>Property Taxes net of In-Lieu</i>	\$ 74,713,341	\$ 77,545,819	\$ 80,495,166
TOTAL FUNDING	84,864,949	87,677,249	90,608,333
Basic Aid Status			
Excess Taxes	\$ 3,359,163	\$ 4,514,111	\$ 5,601,742
EPA in Excess to LCFF Funding	\$ 1,565,766	\$ 1,545,588	\$ 1,527,324
Total LCFF Entitlement	79,940,020	81,617,550	83,479,267

FIGURE 48

Malibu USD LCFF Entitlement			
	2022-23	2023-24	2024-25
SUMMARY OF FUNDING			
General Assumptions			
COLA & Augmentation	2.48%	3.11%	3.54%
Base Grant Proration Factor	0.00%	0.00%	0.00%
Add-on, ERT & MSA Proration Factor	0.00%	0.00%	0.00%
LCFF Entitlement			
Base Grant	\$10,458,299	\$10,261,609	\$10,183,041
Grade Span Adjustment	328,321	321,903	319,751
Supplemental Grant	244,640	370,423	367,597
Concentration Grant	-	-	-
Add-ons: Targeted Instructional Improvement Block Grant	429,757	429,757	429,757
Add-ons: Home-to-School Transportation	820,273	820,273	820,273
Add-ons: Small School District Bus Replacement Program	-	-	-
Total LCFF Entitlement Before Adjustments, ERT & Additional State Aid	\$12,281,290	\$12,203,965	\$12,120,419
Miscellaneous Adjustments	-	-	-
Economic Recovery Target	-	-	-
Additional State Aid	-	-	-
Total LCFF Entitlement	12,281,290	12,203,965	12,120,419
LCFF Entitlement Per ADA	\$ 10,664	\$ 11,136	\$ 11,540
Components of LCFF By Object Code			
State Aid (Object Code 8011)	\$ 8,585,843	\$ 8,585,843	\$ 8,585,843
EPA (for LCFF Calculation purposes)	\$ 230,328	\$ 219,180	\$ 210,064
<i>Local Revenue Sources:</i>			
Property Taxes (Object 8021 to 8089)	\$ 33,440,000	\$ 34,944,800	\$ 36,517,316
In-Lieu of Property Taxes (Object Code 8096)	-	-	-
<i>Property Taxes net of In-Lieu</i>	\$ 33,440,000	\$ 34,944,800	\$ 36,517,316
TOTAL FUNDING	42,256,171	43,749,823	45,313,223
Basic Aid Status	Basic Aid	Basic Aid	Basic Aid
Excess Taxes	\$ 29,744,553	\$ 31,326,678	\$ 32,982,740
EPA in Excess to LCFF Funding	\$ 230,328	\$ 219,180	\$ 210,064
Total LCFF Entitlement	12,281,290	12,203,965	12,120,419

Additional State Costs for School Facilities

As described in the analysis of Criteria #1 and Criteria #7, both the proposed Malibu USD and the remaining Santa Monica USD 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 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 Malibu USD and the remaining Santa Monica USD may be eligible for State Modernization funding due to the age of buildings, which 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.

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 Malibu USD and the remaining Santa Monica USD 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 CAASP and SAT, and Malibu students slightly outperform Santa Monica students on AP Exams.
- Malibu Middle School students have a larger gap between ELA and Math scores than the two middle schools in Santa Monica.
- There is a significant gap in achievement (9% or more) between math and ELA scores in all three Malibu elementary schools. That size of a gap exists in only two of the seven elementary schools in Santa Monica.

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 Malibu USD from Santa Monica USD. 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 Malibu USD. 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 Malibu USD 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 the Santa Monica – Malibu Unified School District 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 CAASP scores certainly do not tell the entire story, they are an essential piece of data that must be examined. **Figure 49** compares high school achievement, in terms of percentages of students scoring as proficient on the 2018-19 CAASP, in the Santa Monica and Malibu areas: This is the last year available before COVID impacted test scores in the 2020 and 2021 testing years.

FIGURE 49

11th Grade CAASP	Malibu High School	Santa Monica High School
ELA	80.3%	81.3%
Math	55.4%	56.4%

In terms of ELA, Malibu and Santa Monica students perform well, with just 1% difference between the schools. Math scores are similar as well, though significantly lower than ELA for both sets of students. In both areas, just 1% more Santa Monica students achieve proficiency than Malibu students.

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, **Figure 50** shows the data for the two sets of students, as reported by each school’s College Profile.

FIGURE 50

SAT	Malibu High School	Santa Monica High School
% Of Students Taking	71%	69%
ELA Average Score	602	606
Math Average Score	597	608

The data here show a great deal of similarity between the two sets of students, with slightly more Malibu students taking the SAT, and with Santa Monica students scoring slightly higher on both sections than Malibu students.

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 Malibu High School and Santa Monica High School offer AP courses. **Figure 51** reflects differences in AP programs between the two schools, as reported by each school's College Profile.

FIGURE 51

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

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

Malibu students have fewer AP course opportunities than Santa Monica students, slightly more Malibu students take the AP test than Santa Monica students, and slightly more Malibu students score a 3, 4, or 5 on AP Exams than Santa Monica students.

Finally, both high schools have strong data when it comes to graduation rates and dropout rates. At Santa Monica High School, the adjusted cohort graduation rate is 97.2%, while the four-year dropout rate is 0.5%. At Malibu high school, the adjusted cohort graduation rate is 98.7%, while the four-year dropout rate is 0.3%.

Middle School Academic Data

Because there are fewer sources of comparative data in middle school and elementary school, CAASP scores are the only common data that can be compared. **Figure 52** compares 8th grade* student achievement on the CAASP, in terms of percentages of students scoring as proficient on the 2018-19 CAASP, in the Santa Monica and Malibu areas:

FIGURE 52

8 th Grade CAASP	Malibu Middle School	Lincoln Middle School	John Adams Middle School
ELA	73.1%	79.3%	54.4%
Math	53.8%	69.6%	38.1%

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

Malibu students score lower than students at Lincoln Middle School, and higher than students at John Adams Middle School. The most significant data on this table is the vast gap between students achieving proficiency in ELA when compared to math. The gap is only 9.7% at Lincoln, then 16.3% at John Adams, then 19.3% at Malibu.

Elementary School Academic Data

Again, because there are fewer sources of comparative data in middle school and elementary school, CAASP scores are the only common data that can be compared. **Figure 53** compares student achievement on the CAASP, in terms of percentages of students scoring as proficient on the 2018-19 CAASP at nine schools, the three schools in Malibu (M), and seven schools in Santa Monica (SM).

FIGURE 53

2018-19 CAASP 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)	71.8%	58.8%		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%	64.4%		Rogers (SM)	9	Cabrillo (M)
Roosevelt (SM)	81.9%	77.1%		Muir (SM)	10	Muir (SM)

There are a few takeaways from this data:

- There is a significant gap in achievement (9% or more) between math and ELA scores in all three Malibu elementary schools. That size of a gap exists in only two of the seven elementary schools in Santa Monica.
- Juan Cabrillo, which had test scores in 2018-19 but now has merged with Point Dume to become Malibu Elementary School, is not a Title I school. Interestingly, Cabrillo’s ELA and Math achievement were the 3rd and 2nd lowest 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 is not addressing the perception of the Malibu and Santa Monica lifestyle, it is addressing the schools and the students, employees, and 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 challenges have never been addressed by SM-MUSD.

- The gap between lower math scores and higher ELA scores is far greater in Malibu schools than in Santa Monica schools.
- One of the three elementary schools in Malibu in 2019 had achievement more similar to Santa Monica's Title 1 schools than the rest of the Santa Monica schools.
- Though Santa Monica High School is a Title 1 school and Malibu High School is not, Santa Monica students achieve at a slightly higher rate than those in Malibu.

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, the course selections offered to Malibu students are inferior to the courses 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 (CTE)

One of the best aspects of the high school program in Santa Monica is the CTE program. This long-standing program has providing Career Technical Education (CTE) (formerly known as ROP) opportunities for 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 Malibu USD 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 Malibu USD 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 Malibu USD 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 Malibu USD 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.

With either direction chosen by the proposed Malibu USD Board of Education, because Malibu High School is a smaller school, additional funding is required to afford Malibu students the same kinds of Advanced Placement or International Baccalaureate options available to Santa Monica 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 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 Malibu USD 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 Malibu USD 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 Malibu USD 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 Santa Monica USD music department, and that staffing would presumably become part of the proposed Malibu USD 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, 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 experienced 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 needed 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 Malibu USD Board of Education may seek to establish an online relation 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 our 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 Malibu USD and Santa Monica USD are the new entities, each district will continue to implement the legally required and agreed-upon IEPs.

SM-MUSD currently partners with Beverly Hills (BHUSD) and Culver City (CVUSD) 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 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 benefitted from this SELPA. The proposed Malibu USD 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 nothing will change in terms of doing what is necessary to properly implement each student's IEP.

English Learner (EL) Students And Their Families

There is a dramatic reduction of the percentage of EL students in Malibu High School from the percentages in elementary and middle school. In elementary school and middle school, EL students comprise approximately 7% of the school population. In high school, that percentage is reduced to under 4%. One of the critical questions for the new Malibu USD Board to examine will be the reasons why EL students do not continue into high school.

One of the reasons for the dramatic decrease in high school 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 Malibu USD would seek to provide the support EL students need to both learn English and to thrive in high school courses. If the proposed Malibu USD Board makes the decision numerically, seeking to serve the 22 students in middle school and 29 students in high school with additional support may not make financial sense. Middle school and high school schedules are not easy to create, particularly in small schools. There is no way that one period can serve all of the needs of EL students. Even if they all wanted to take it, the period selected would not work in everyone's schedule.

Malibu USD 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 school, offering multiple opportunities during and after the school day for EL students to receive the support they need to succeed. In addition, the proposed Malibu USD 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 Malibu USD Board will need to examine the reasons behind the discrepancy between math scores in Santa Monica and math scores in Malibu, particularly in elementary school and middle school. They should also examine why that discrepancy is no longer present in high school. Whatever the reason, this report recommends that the proposed Malibu USD 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 Malibu USD 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-MSD 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 districtwide programs in SM-MUSD. Because there would be a reduction in the number of schools, employees, and students served, the remaining Santa Monica USD District Office staffing and funding would need to be decreased from the current level of funding. Conversely, the proposed Malibu USD 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 Malibu USD. 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:

- 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 Malibu Unified School District.
- Of the remaining 9%, half opposed and half were undecided.
- The most prevalent reason for being opposed to a new Malibu USD 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 Malibu USD, 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 the 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 Malibu USD Educational Services Department would require a budget that targets improving TK-12 math instruction. While the proposed Malibu USD 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 best practices consistently in all classrooms.

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

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

- **Transparency in Decision Making:** Transparency in decision making requires robust internal and external disclosures, and 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 innovative and creative solutions to financial hurdles and antiquated school programs. Fiscal decisions should be made in a transparent, responsible manner with input from the community. Money is prioritized for the classroom and for a fair and equitable salary structure.
- **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 Malibu USD, 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 Malibu USD, 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 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 2018, Santa Monica voters passed a \$485 million Santa Monica-only bond (Measure SMS), and Malibu voters passed a \$195 million Malibu-only bond (Measure M).

Also in 2018, the Santa Monica – Malibu Education Foundation (SMMEF) became 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.”*

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 Malibu USD with an opportunity to enhance 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 Malibu USD would need to create space for Independent Study and Alternative Education programs.
 - With the available space on the Malibu Middle/Malibu High/Juan Cabrillo Elementary campus, it is anticipated that such space can be created using existing facilities.
 - The proposed campus improvement project will create additional classroom space freeing up existing portables for Independent Study and Alternative Education.
- A new Malibu USD 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 Middle/Malibu High/Juan Cabrillo campus with minimal facilities costs.

Analysis of Criterion #7:

As previously stated, the proposed reorganization will not alter the school attendance boundaries for any campuses. 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 Malibu USD or the remaining Santa Monica USD.

Figure 54 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 6th grade and 27 students per classroom for 7th through 12th grade. The proposed Malibu USD would have an estimated capacity for 2,345 students, and the remaining Santa Monica USD would have an estimated capacity for 10,076 students.

FIGURE 54

School Site Enrollment and Estimated Capacity		
School Site	2021-22 Enrollment	Estimated Capacity
Malibu Unified School District		
Malibu Elementary	207	425
Webster Elementary	209	525
Malibu Middle	269	620
Malibu High	413	1,000
Total Malibu Unified School District	1,098	2,570
Santa Monica Unified School District*		
Edison Language Academy	386	475
Franklin Elementary	561	700
Grant Elementary	543	600
John Muir Elementary	242	400
McKinley Elementary	375	475
Roosevelt Elementary	589	850
Santa Monica Alternative School House	218	275
Will Rogers Elementary	398	550
John Adams Middle	853	1,080
Lincoln Middle	908	1,300
Olympic High	37	190
Santa Monica High	2,807	3,190
Total Santa Monica Unified School District	7,917	10,085

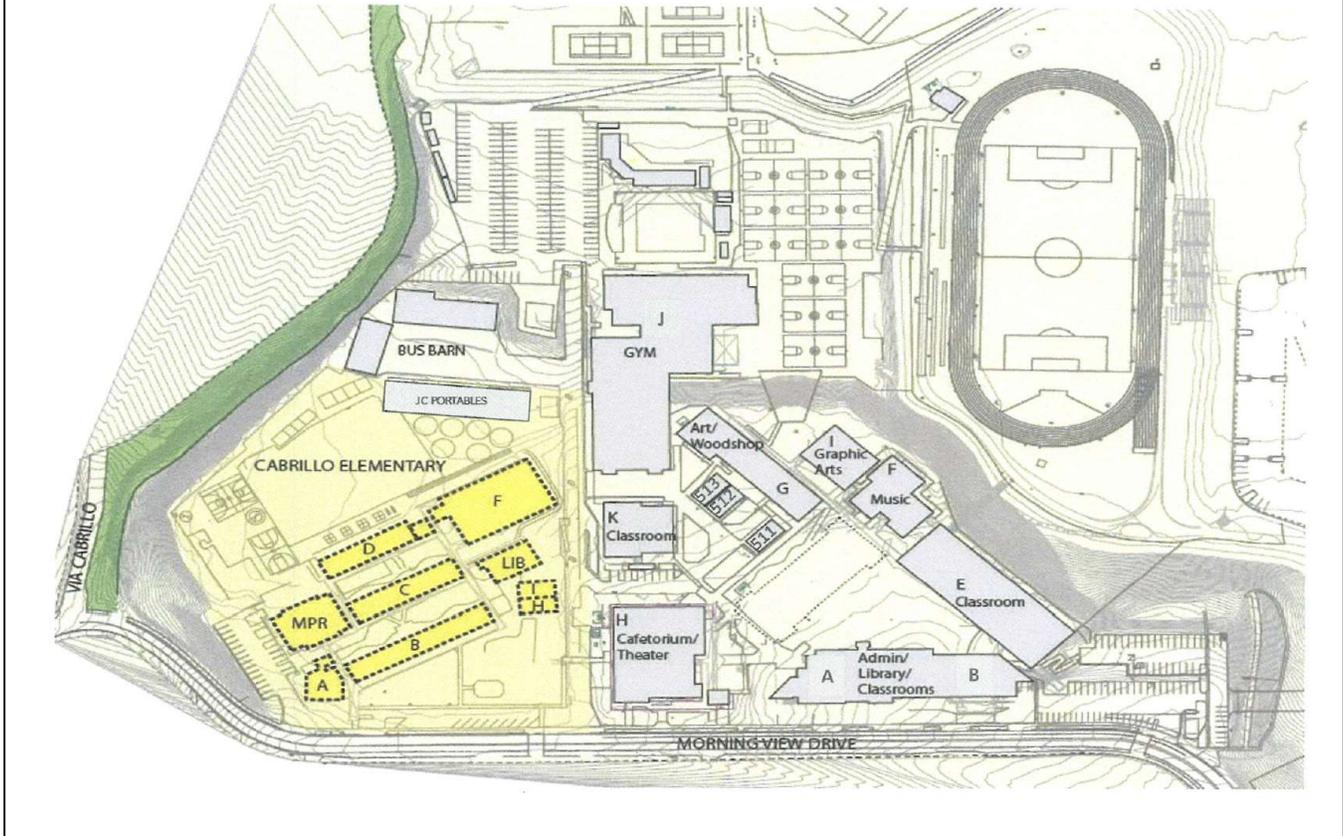
* Does not include Independent Study and Non-Public School totalling 127 students.

Source: Santa Monica-Malibu Unified School District.

The proposed Malibu USD does not have an alternative school within its boundaries. To accommodate those students, 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/Juan Cabrillo Elementary 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 portable classrooms on site. Some classrooms on the High School campus could also be used for an Independent Study program.

FIGURE 55

MMHS AND FORMER JUAN CABRILLO ES EXISTING SITE PLAN



A new Malibu USD would need to create administrative space for District Office staff as well as a bus barn, maintenance yard, and central kitchen.

The recent improvement to the Malibu Middle School campus created an administrative building, with close access to visitor parking (noted as Building A and B in **Figure 55**), that could also serve as a District Administrative Office. Further, SM-MUSD is in the planning process for a large capital improvement project that includes the demolition of Juan Cabrillo Elementary and the construction of a new classroom and administrative building for Malibu High School in Phase 1. That project is planned to be funded from the already authorized SFID No. 2 General Obligation Bonds. Presumably, that would free up space in the existing administrative building that could be used for Malibu USD administrative office staff. Thus, minimal additional funding would be needed to create the District Office.

There is a small bus barn and maintenance yard located on the Malibu High/Malibu Middle/Cabrillo Elementary campus, shown in **Figure 55**. By moving some nearby portables and expanding the existing bus barn, the proposed Malibu USD could create a Maintenance, Operations, Transportation, and Technology center that would house the necessary support staff. Again, this would not require significant funding. If the capital improvement plan slated for the Malibu High campus moves forward,

this concept is even more easily achieved as the portable classrooms on the campus will no longer be needed for Malibu High School.

Finally, in order to create a central kitchen, improvements and possibly expansion would be needed for the existing Cafetorium. The costs of such improvements are unknown at this time. Malibu USD’s share of the 4th Street investment property could easily cover the cost of the anticipated improvements as such a property is likely to have a high market value.

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 56**, both the proposed Malibu USD and the remaining Santa Monica USD would have significant remaining bonding capacity post-reorganization, even accounting for the \$942 million of bonds outstanding.

FIGURE 56

Bonding Capacity			
	Current Capacity Santa Monica-Malibu USD	New Capacity Malibu USD*	New Capacity Santa Monica USD**
2021-22 Assessed Value	\$65,703,186,874	\$21,870,646,808	\$43,832,540,066
Bonding Capacity (AV x 2.5%)	\$1,642,579,672	\$546,766,170	\$1,095,813,502
Outstanding Bonds	\$941,614,648	\$289,676,850	\$651,937,798
Net Bonding Capacity	\$700,965,024	\$257,089,321	\$443,875,704

*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 Santa Monica USD 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, Santa Monica USD 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 Santa Monica USD can ultimately charge.

For Malibu USD, there is significant available capacity to accommodate students and a community with minimal plans for development. The proposed Malibu USD 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 also 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 the existing facilities. Essentially, the Malibu schools are in relatively good condition and current improvement plans will address any concerns identified, specifically at Malibu High 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 Malibu USD's or Santa Monica USD'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 transfer to the proposed Malibu USD and the modernization eligibility for Santa Monica area schools would stay with Santa Monica USD. 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 Malibu USD will need classroom space to accommodate alternative education students, it is expected that this can be accomplished on the existing Malibu Middle/Malibu High/Juan Cabrillo Elementary campus. Only minimal facilities expenditure is anticipated to create the support facilities needed for a new school district and space is available on the Malibu Middle/Malibu High/Juan Cabrillo 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:

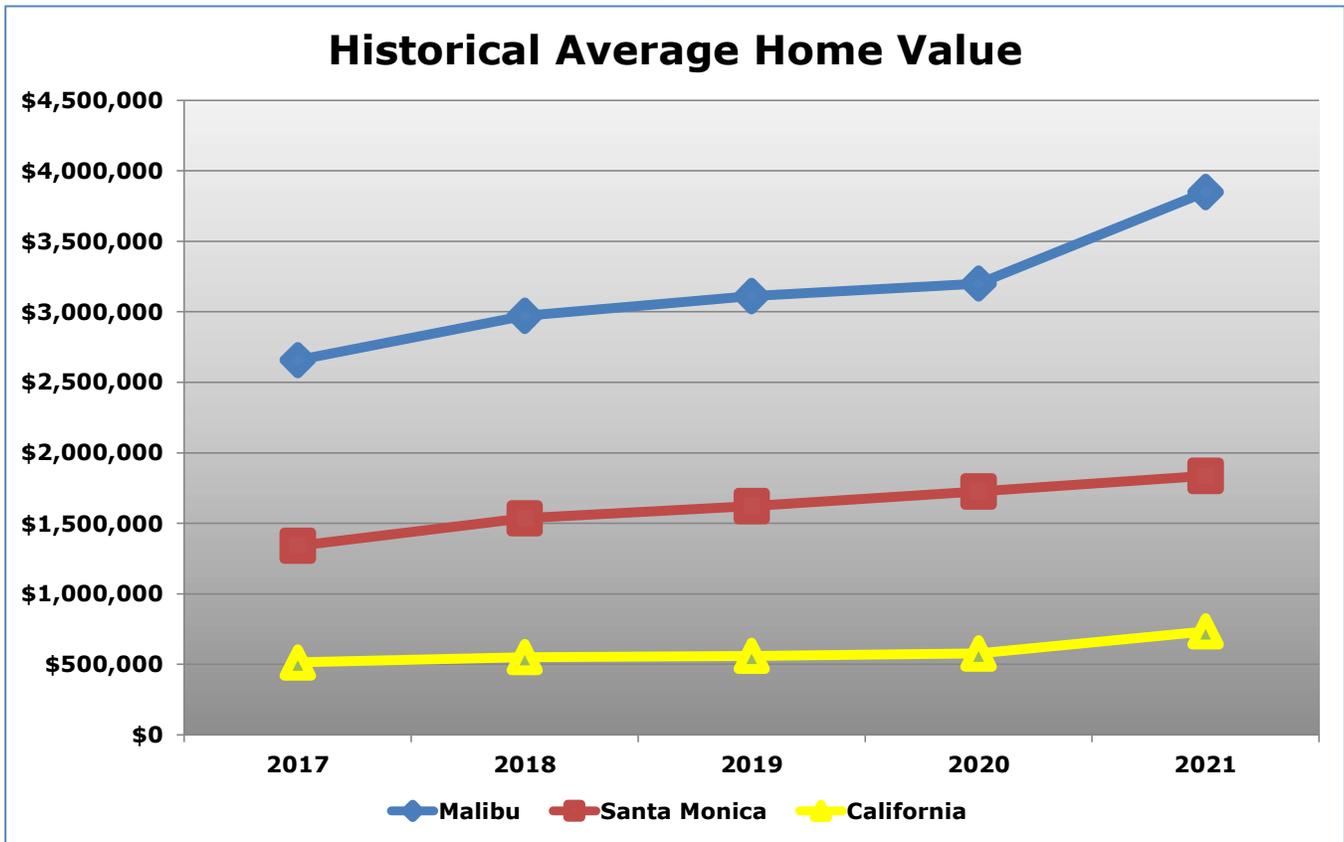
- There is no indication that a significant increase in property values will result as a product of the reorganization.
 - Although property values in the Malibu area are high, the reorganization itself will not drive further increases in property values as the Malibu area has other independent factors 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 Property Shark in November 2021, Santa Monica zip code 90402 ranks #8 nationally and #5 in California with a median sales price of \$4.06 million. Malibu, also a community comprised of high value homes, ranked #21 nationally 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 57** shows the average home value in both communities over the past five years.

FIGURE 57



Source: Zillow, December 2021 Home Value Report.

The average residential assessed value in both Malibu and Santa Monica are also relatively high, with single family assessed value at almost \$3 million per home in Malibu and approximately \$1.6 million per home in Santa Monica. By comparison, the average Single Family assessed value in Los Angeles County is approximately \$520,000. **Figure 58** shows the average assessed value by residential property type in Malibu, and **Figure 59** shows the same information for Santa Monica.

FIGURE 58

Malibu Unified School District Residential Parcels			
Type	# of Parcels	% of Total Residential Parcels	Average Assessed Value
Single Family	5,663	58.2%	\$2,872,975
Condominium/Townhouse	1,076	11.1%	\$888,630
Mobile Home Park	3	0.03%	\$23,063,092
2-4 Residential Units	171	1.8%	\$2,706,879
5+ Residential Units/Apartments	32	0.3%	\$3,771,784
Vacant Residential	2,782	28.6%	\$505,244
Total	9,727	100.0%	

Source: Los Angeles County Auditor-Controller.

FIGURE 59

Santa Monica Unified School District Residential Parcels			
Type	# of Parcels	% of Total Residential Parcels	Average Assessed Value
Single Family	7,338	33.9%	\$1,604,716
Condominium/Townhouse	9,323	43.1%	\$762,832
Mobile Home Park	4	0.0%	\$2,423,324
2-4 Residential Units	1,695	7.8%	\$1,080,262
5+ Residential Units/Apartments	2,357	10.9%	\$2,281,448
Vacant Residential	905	4.2%	\$566,609
Total	21,622	100.0%	

Source: Los Angeles County Auditor-Controller.

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 petitioners, 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 \$154 million of Unrestricted General Fund revenues.
 - These revenue sources are comprised of over \$108 million of LCFF sources, mostly property taxes, plus almost \$44 million of Other Local Revenues.
 - Almost all of the Other Local Revenues will be retained by Santa Monica USD post-reorganization.
- If the SM-MUSD Fiscal Stabilization Plan is implemented and the remaining Santa Monica USD appropriately scales down its staffing based on the size of the district, they will maintain fiscal solvency post-reorganization.
- With funding over \$30,000 per student for the proposed Malibu USD and over \$15,000 per student for the remaining Santa Monica USD, 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 \$11,200 per student.
- Given the relatively high unrestricted funding levels, both districts can reasonably expect to be fiscally solvent post-reorganization.

Analysis of Criterion #9:

In order to analyze the impact on the fiscal status of the proposed Malibu USD and the remaining, Santa Monica USD, it is important to first analyze the existing financial status of SM-MUSD and then project the individual budgets for the future school districts. These projections must account for existing budgetary challenges, the reduction in staff and corresponding students for Santa Monica USD as already planned in their Fiscal Stabilization Plan, as well as the anticipated additional costs to operate an independent Malibu USD.

As shown in **Figure 60**, for 2021-22, SM-MUSD is operating with \$154 million of Unrestricted General Fund revenues. These revenues are comprised of over \$108 million of LCFF Sources and almost \$44 million of Other Local Revenues, which is far in excess of what most school districts receive. The Other Local Revenues include:

- Districtwide Parcel Tax
- Santa Monica Redevelopment Agency Pass-Through Tax
- City of Santa Monica Sales Tax
- City of Santa Monica Joint Use 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, 70.4% of the parcel tax revenue would go to Santa Monica, and 29.6% would go to Malibu. It is understood that there is uncertainty related to whether the proposed Malibu USD 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. However, even in the absence of special legislation, it is expected that the proposed Malibu USD will have sufficient funding for ongoing operations. The parcel tax would continue for the remaining Santa Monica USD post-reorganization.

All of the other local revenues will accrue only to the remaining Santa Monica district. That would provide the remaining Santa Monica USD with over \$40 million of Other Local Revenues beyond their LCFF entitlement.

SM-MUSD's 2021-22 Budget reflects a positive ending balance for the combined General Fund (restricted and unrestricted funds), although SM-MUSD is budgeting continued deficit spending, just as it has 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. 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. 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 Santa Monica USD or whether existing circumstances lead to a concern with the future financial picture regardless of whether the proposed reorganization occurs.

SM-MUSD's current Reserve is at 12.5%, below the 17% minimum level recommended for unified school districts.

FIGURE 60

2021-22 SM-MUSD General Fund			
Revenues	Unrestricted	Restricted	Total
LCFF Sources	\$108,476,505	\$0	\$108,476,505
Federal Revenue	\$200,000	\$4,068,000	\$4,268,000
Other State Revenue	\$1,867,482	\$5,556,799	\$7,424,281
Other Local Revenue	\$43,733,089	\$7,795,859	\$51,528,948
Total Revenue	\$154,277,076	\$17,420,658	\$171,697,734
Expenditures	Unrestricted	Restricted	Total
Certificated Salaries	\$50,887,845	\$16,650,027	\$67,537,872.00
Classified Salaries	\$20,798,412	\$12,542,846	\$33,341,258
Employee Benefits	\$33,033,385	\$14,339,552	\$47,372,937
Books and Supplies	\$1,482,584	\$2,335,854	\$3,818,438
Services & Other Operating Costs	\$13,984,648	\$5,721,706	\$19,706,354
Capital Outlay	\$353,000	\$34,975	\$387,975
Other Outgo	\$75,000	\$0	\$75,000
Total Expenditures	\$119,012,991	\$52,424,572	\$171,437,563
Excess (Deficiency) of Revenues to Expenditures	\$35,264,085	(\$35,003,914)	\$260,171
Other Financing Sources/Uses	Unrestricted	Restricted	Total
Interfund Transfers	(\$4,365,307)	\$0	(\$4,365,307)
Other Sources	\$0	\$0	\$0
Contributions	(\$32,623,321)	\$32,623,321	\$0
Total Other Financing Sources	(\$36,988,628)	\$32,623,321	(\$4,365,307)
Net Increase (Decrease) in Fund Balance	(\$1,724,543)	(\$2,380,593)	(\$4,105,136)
Beginning Balance	\$21,459,715	7,189,252	28,648,968
Ending Fund Balance June 30, 2022	\$19,735,172	\$4,808,660	\$24,543,832

Source: Santa Monica-Malibu Unified School District.

SM-MUSD adopted a Fiscal Stabilization Plan in 2020-21 to address this structural budget deficit. The Plan calls for the reduction of over \$51 million from the District's Unrestricted General Fund Budget in fiscal years 2020-21 through 2023-24. It is important to note that these reductions in expenditures are completely independent from the proposed reorganization and should be accounted for in the analysis of whether the reorganization will cause a substantial negative effect on the fiscal status of the affected districts. Essentially, the analysis should take into consideration the identified \$51 million of necessary cuts in order for the existing SM-MUSD to remain fiscally solvent.

Furthermore, an important concern by Malibu area residents, that was reflected in the Community Visioning Survey data described in the analysis of Criterion #6 in this Report, is that the existing SM-MUSD does not live within its means. Since the Malibu community is not able to influence change due to the make-up of the existing School Board, the existence of a structural budget deficit for a very well-funded basic aid district is a concern and yet another reason for this proposed

reorganization. The Malibu community is also concerned with the cuts targeted in the Fiscal Stabilization Plan of SM-MUSD and that the plan does not address the District’s significant amount of administrative overhead as compared to districts of similar size. Without local control, the Malibu community is not able to influence the areas to be cut and as a result, it is expected that Malibu students will suffer.

Financial Viability of the Reorganized Districts

The financial viability of the proposed Malibu USD and remaining Santa Monica USD 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 Malibu USD and remaining Santa Monica USD boards.

Due to anomalies in school district budgets throughout California in fiscal year 2021-22, with one time funding for COVID relief combined with hold-harmless policies related to districts with declining enrollment, for the purposes of this analysis, estimated 2022-23 budget numbers are being utilized. The assumptions utilized to develop these budgets are described below **Figures 61 and 63**.

Figure 61 provides an overview of the anticipated budget of the proposed Malibu USD. Of course, the decisions made by the future board will impact the actual budget of the proposed district.

FIGURE 61

Malibu Unified School District Projected Budget for 2022-23				
	Unrestricted 2022-23 (B)	Restricted 2022-23	Combined	Notes
LCFF Revenue	\$34,738,099	\$0	\$34,738,099	(A)
Federal Revenue	\$24,009	\$488,338	\$512,347	(C)
State Revenue	\$224,180	\$667,059	\$891,239	(C)
Parcel Tax	\$3,997,500		\$3,997,500	(D)
Other Local Revenue	\$37,591,405	\$935,845	\$38,527,250	(G)
Total Revenue	\$76,575,192	\$2,091,242	\$78,666,434	
Certificated	\$8,260,357	\$2,173,733	\$10,434,090	(E)
Classified	\$3,318,961	\$1,505,691	\$4,824,652	(E)
Benefits	\$4,989,314	\$1,771,374	\$6,760,689	(E)
Books & Supplies	\$890,878	\$280,405	\$1,171,283	(E)
Professional Services	\$2,153,750	\$686,855	\$2,840,605	(E)
Capital Outlay	\$395,000	\$4,199	\$399,199	(E)
Indirect/Direct Costs	(\$95,988)	\$95,988	\$0	(E)
Total Expenditures	\$19,912,271	\$6,518,245	\$26,430,516	
Transfers			\$0	
Contribution	-\$3,424,360	\$3,424,360	\$0	(F)
Surplus/(Deficit)	\$53,238,561	-\$1,002,643	\$52,235,918	
Beginning Fund Balance	\$3,834,735	\$1,002,643	\$4,837,378	(C)
Ending Fund Balance	\$57,073,296	\$0	\$57,073,296	

The budget for Malibu USD was built on the following assumptions, as referenced in the “Notes” column in **Figure 61**:

- (A) LCFF Revenue is calculated uniquely for Malibu USD 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 Malibu USD 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 totaling \$16.8 million was reduced from the SM-MUSD budget in preparing a pro forma Santa Monica USD budget, allowing the new Malibu USD to add resources beyond those currently spent on that portion of the district.
- (C) Allocated current SM-MUSD Federal and State Revenue as identified in the 2021-22 Revised Budget on a per-student basis, assuming Malibu USD enrollment of 1,098 and Santa Monica USD enrollment of 8,044.
- (D) Applied only the portion of the SM-MUSD parcel tax generated by property within the proposed Malibu USD’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 Malibu USD based on the SM-MUSD 2021-22 Adopted Budget. Restricted budgets are based on a pro rata share of the current SM-MUSD 2021-22 Revised budget, adjusted for increased staffing for the proposed Malibu USD 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.

Based on the proposed budget, the proposed Malibu USD would be operating with approximately \$34,800 per student. The future school board could utilize such funding to enhance the educational program offered to Malibu area students consistent with the concepts described in the analysis for Criterion #6 in this Report. As the Malibu area tax base

The proposed Malibu USD budget model utilized certificated and classified salary and benefit costs as shown in **Figure 62**. These costs were established based on the school site budgets for the four schools identified to be transferred to the proposed Malibu USD in the reorganization petition. It is estimated that the total compensation costs for staff at the four sites would be \$13.8 million.

FIGURE 62

Malibu USD 2022-23 Salary and Benefit Costs by School Site			
School Site	Salary	Benefit	Total
Malibu Elementary	\$1,696,704	\$767,440	\$2,464,144
Webster Elementary	\$1,742,545	\$776,860	\$2,519,406
Malibu Middle/High	\$6,196,318	\$2,610,230	\$8,806,547
Total	\$9,635,568	\$4,154,530	\$13,790,097

In addition to school site staffing, the proposed Malibu USD will also incur costs for central administration that are not reflected in **Figure 62**. The proposed Malibu USD could expect to spend

approximately \$3.6 million on central office administrative staff salaries and benefits. This estimate is based on the 2021-22 Adopted Budget of SM-MUSD and the proportionate share of the proposed Malibu USD's student enrollment plus additional allocations for central office SELPA functions.

Figure 63 provides an overview of the anticipated budget for the remaining Santa Monica USD. This budget assumes that the District will make cuts as stated in its Fiscal Stabilization Plan and will appropriately scale down administrative overhead based on the reduction of 1,098 students that will move to the new Malibu USD combined with the declining enrollment in the Santa Monica area of the District. Additionally, the expenses of the remaining Santa Monica USD 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 63

Santa Monica Unified School District Projected Budget for 2022-23				
	Unrestricted 2022-23 (B)	Restricted 2022-23 (I)	Combined	Notes
LCFF Revenue	\$83,797,178	\$0	\$83,797,178	(A)
Federal Revenue	\$175,991	\$3,579,662	\$3,755,653	(C)
State Revenue	\$1,643,302	\$4,889,740	\$6,533,042	(C)
Parcel Tax	\$10,506,250		\$10,506,250	(D)
City of Santa Monica Sales Tax (50% of \$ to SD)	\$14,577,840		\$14,577,840	(G)
City of Santa Monica Joint Use	\$10,194,900		\$10,194,900	(G)
RDA Pass-Through Facilities	\$4,826,476		\$4,826,476	(G)
Other Local Revenue	\$4,138,905	\$6,860,014	\$10,998,919	(H)
Total Revenue	\$129,860,843	\$15,329,416	\$145,190,259	
Certificated	\$42,677,488	\$14,651,294	\$57,328,782	(E)
Classified	\$16,543,776	\$11,037,155	\$27,580,931	(E)
Benefits	\$26,856,003	\$12,618,178	\$39,474,181	(E)
Books & Supplies	\$1,249,959	\$2,055,449	\$3,305,408	(E)
Professional Services	\$13,753,947	\$5,034,851	\$18,788,797	(E)
Capital Outlay	\$310,625	\$30,776	\$341,401	(E)
Indirect/Direct Costs	-\$1,334,569	\$703,624	-\$630,946	(E)
Total Expenditures	\$100,057,229	\$46,131,327	\$146,188,555	
Transfers In/ (Out)	-\$4,365,307		-\$4,365,307	
Contribution	-\$23,481,924	\$23,481,924	\$0	(F)
Surplus/(Deficit)	\$1,956,384	(\$7,319,987)	(\$5,363,604)	(J)
Beginning Fund Balance	\$27,996,228	\$7,319,987	\$35,316,215	(C)
Ending Fund Balance	\$29,952,611	\$0	\$29,952,611	

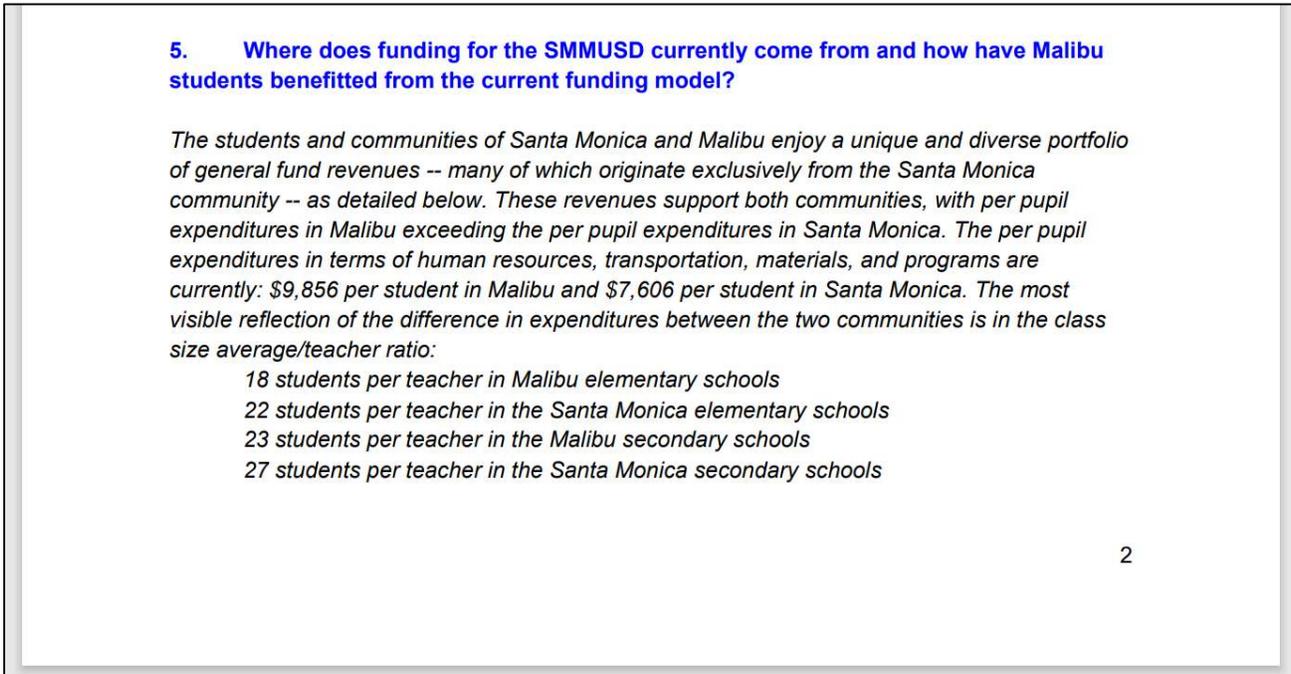
The budget for Santa Monica USD was built on the following assumptions, as referenced in the "Notes" column in **Figure 63**:

- (A) LCFF Revenue is calculated uniquely for Santa Monica USD 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 the remaining Santa Monica USD will continue to be property tax funded.
- (B) Projected budget based on 2021-22 budget, reduced expenditures by \$2.0 million board-approved Fiscal Stabilization Plan.
- (C) Allocated current SM-MUSD Federal and State Revenue as identified in the 2021-22 Revised Budget on a per-student basis, assuming Malibu USD enrollment of 1,098 and Santa Monica USD enrollment of 8,044.
- (D) Applied only the portion of the SM-MUSD parcel tax generated by property within the remaining Santa Monica USD's boundaries.
- (E) Unrestricted budget based on a per-student basis per the SM-MUSD 2021-22 Revised Budget, reduced for pro rata Malibu non-site budget projections, actual budgeted costs for Malibu sites, and reduction of 50% cost of transportation included in the pro forma Malibu budget. Restricted budgets are based on a pro rata share of current SM-MUSD 2021-22 restricted budget.
- (F) Contribution amount reflects the contribution needed to balance restricted spending versus restricted revenues.
- (G) Current SM-MUSD Other Local Revenues generated in Santa Monica, including sales taxes, joint use revenues, and the facilities Redevelopment Pass-Through allocation, would be allocated to the remaining Santa Monica USD, not shared with Malibu USD.
- (H) Based on the schedule of Other Local Revenues received by SM-MUSD, excluding property taxes subject to the LCFF calculation.
- (I) Restricted budgets allocated on a pro-rata basis.
- (J) While the loss of the expensive Malibu school staffing helps the resulting Santa Monica USD bottom line, SM-MUSD has committed to \$2 million in budget reductions in the future which are reflected above.

As demonstrated by the estimated budget for the remaining Santa Monica USD, if the Fiscal Solvency plan is applied and the appropriate expenditures are allocated to Malibu USD, then the remaining Santa Monica USD will be able to maintain fiscal solvency post-reorganization. Of course, this is highly dependent on the management decisions of Santa Monica USD and their ability to make the appropriate staffing cuts to reflect the reduction of 1,100 students to Malibu and their own declining enrollment. Presumably, given the time it would take for the reorganization to be implemented, Santa Monica USD would have appropriate time to make such cuts.

As previously stated, the projected budget for Santa Monica USD deducts the more-expensive per student costs for Malibu school as compared to Santa Monica area schools. In November 2020, 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 64**.

FIGURE 64



Although the exact cost differential between schools in the two areas is slightly higher in the current fiscal year, **Figure 64** 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 Santa Monica USD budget should reflect this fact.

Since the actual expenditure reductions are in the hands of the Santa Monica USD 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 Santa Monica USD. **With unrestricted General Fund revenues of \$16,143 per student, Santa Monica USD would rank in the top 5 districts in all of Los Angeles County in terms of unrestricted funding per student**, based on the 2019-20 Los Angeles County Schools Financial Report published by the Los Angeles County Office of Education. The \$16,143 per student funding of Santa Monica USD is \$4,936 per student above the average unified district funding level in LA County of \$11,208 per student. With projected declining enrollment combined with anticipated growth in the Santa Monica USD 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 Santa Monica USD would have sufficient funding to operate, and the proposed reorganization would 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 the financial viability post-reorganization. As such, it is reasonable to conclude that both districts will maintain fiscal solvency post reorganization. Therefore, it is reasonable to conclude that Criterion #9 will be substantially met.