**Summary of the Santa Monica-Malibu Unified School District Board of Education**
**Special meeting of December 11, 2025**

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Here's a summary of the Santa Monica Board of Education meeting:

### Core Points

- Memorial for Jubilant Sykes: The meeting opened with a tribute to Jubilant Sykes, a Santa Monica-Malibu Unified School District (SMMUSD) alumnus and Grammy-nominated opera singer who recently passed away. His journey from John Adams Junior High School to a prominent international opera career highlighted the impact of dedicated educators and the Santa Monica community.
- Approval and Presentation of the 2024-25 District Audit Reports: The district's comprehensive financial audit for fiscal year 2024-25 was presented by Gerardo Cruz, Assistant Superintendent of Business and Fiscal Services, and Ben Levit, partner at audit firm CWDL. The audit included district-wide financials, bond measures, parcel tax, and the Santa Monica Educational Foundation, all yielding clean or unmodified opinions, demonstrating strong fiscal management.
- Audit Findings and Corrective Actions: While the audit was largely positive, six key findings were noted, primarily in HR documentation, state compliance, independent study contracts, school safety plans, classroom teacher salary thresholds, school accountability reporting, and instructional time. Corrective action plans were presented to address these issues to ensure ongoing compliance and improvement.
- Bond Measures and Parcel Tax Audits: Five bond elections and one parcel tax were audited for both financial and performance compliance. All audits were clean with no exceptions, reflecting prudent oversight and adherence to ballot language, reaffirming community trust in the district's use of bond and tax funds.
- Update on Board Policies Related to Facilities: The board reviewed updates to eight policies and administrative regulations (ARs) related to school facilities, reflecting changes in law, best practices, and district operations. Notable among these were updates related to architectural and engineering services, site selection, facilities financing, developer fees, school facilities improvement districts, and general obligation bonds.
- Budget Policy Update and Reserve Language Discussion: The district proposed updated budget board policy language, particularly focusing on fund balance and reserve policies. The recommended reserve is set at two months of general fund expenditures plus a legally required 3% contingency, reflecting best practices for fiscal stability, economic uncertainties, and unforeseen expenditures.
- First Interim Budget Report for Fiscal Year 2024-25: The district presented its first interim budget report based on October 31 financials. Key highlights included enrollment stabilization, revenue adjustments, expenditure trends, and multi-year projections. The

district maintains a positive certification, indicating it can meet its financial obligations despite ongoing budgetary challenges.

- Enrollment Trends and Financial Implications: Enrollment decline has slowed significantly, with only an 80-student drop compared to previous years' larger decreases, aided by stabilization factors such as TK expansion and residents relocating due to wildfires. This stabilization affects funding, staffing needs, and basic aid calculations.
- Expenditure and Revenue Details: Salary and benefit increases, notably healthcare cost rises, were highlighted as significant budget pressures. The district is leveraging categorical grants and block grants to offset some costs but acknowledges the need for ongoing expenditure management.
- Financial Stewardship and Transparency Emphasized: Throughout the meeting, district leadership emphasized transparency, fiscal responsibility, and alignment of policies with actual practices. The adoption of reserve policy language is expected to improve credit ratings and provide a foundation for sustainable financial planning.

Key Conclusions

- Strong Financial Health with Areas for Improvement: The district's comprehensive audit reports and bond measure audits reflect sound financial management, receiving unmodified opinions and clean audits. However, the noted audit findings indicate areas requiring focused corrective actions, particularly in compliance, HR documentation, and state-specific regulations.
- Commitment to Address Audit Findings: The district has responded proactively with detailed corrective action plans for all audit findings, including improving HR processes (employee eligibility verification), refining independent study agreements to comply with education codes, enhancing school safety plan reviews, and correcting school accountability reporting errors.
- Reserve Policy Adoption Crucial for Fiscal Stability: Establishing a formal reserve fund policy codifies the district's longstanding practice of maintaining two months of general fund expenditures plus the required contingency. This move will improve financial transparency, support credit rating enhancements, and provide a safeguard against economic uncertainties and unforeseen expenses.
- Enrollment Stabilization Supports Financial Planning: The slowing decline in student enrollment, supported by transitional kindergarten (TK) expansion and post-wildfire population shifts, provides some financial relief against past revenue losses. However, enrollment remains a variable factor that requires ongoing monitoring and adaptive staffing strategies.
- Healthcare Cost Increases Present Budgetary Challenges: Rising health and welfare benefit costs, projected to grow further in coming years, remain a significant expenditure pressure. The district is utilizing grant funds strategically to offset some costs but acknowledges the need for long-term financial planning to address these increases.
- Transparent and Collaborative Governance Model: The district values strong collaboration among board members, staff, labor unions, and oversight committees. This cooperative

approach has enabled consensus-building on policies like reserves and has fostered trust through transparent reporting and open dialogue about fiscal challenges and priorities.

- Facilities Policy Updates Align with Legal and Operational Changes: The comprehensive update of facilities-related policies ensures compliance with new legislation, reflects current district practices, and prepares the district to potentially adopt design-build contracts and other innovative approaches to school construction and modernization.
- Positive Budget Outlook Despite Structural Deficit: The district projects a manageable deficit over the next few years but maintains the ability to meet its financial obligations. The budget discussions highlighted the need for continued attention to expenditure controls and revenue enhancement to ensure long-term sustainability.

Important Details

- Memorial Details for Jubilant Sykes:
    - SMMUSD graduate, Santa Monica High School class of 1972.
    - Began as a soprano, transitioned to baritone under music teacher Linda Anderson's influence.
    - Performed with major symphonies and venues globally.
    - Collaborated with renowned artists and was Grammy-nominated in 2010.
    - Emphasized striving for excellence inspired by early educators.
- Audit Team and Process Highlights:
    - Audit led by Ben Levit (CWDL), supported by John Dominguez and team.
    - Efficient, mostly paperless audit process using district's financial system.
    - Audit completed by original December 15, 2025 deadline, ahead of many peers.
    - Financial oversight committees and bond oversight committees engaged in detailed review.
- Six Audit Findings Overview:
    - Employee Eligibility Verification (Form I-9): Missing or incomplete forms in 16/255 sampled employees; corrective action includes two-tier HR sign-off and online application tracking.
    - Independent Study Contracts: Deficiencies in contract language not fully compliant with Education Code; question cost of $10,450 noted but non-material due to basic aid status; corrective action involves program handbook and staff training.
    - Comprehensive School Safety Plan: Missing evidence of timely review and adoption at some sites; corrective action includes a safety calendar checklist and improved monitoring.
    - Classroom Teacher Salaries Threshold: District did not meet 55% minimum expenditure on classroom teacher salaries due to strategic use of COVID funds; waiver submitted and expected to be approved, so no financial penalty expected.
    - School Accountability Report Card (SARC): Inconsistent reporting of facility conditions between inspection tool and SARC; human error identified; plan to add additional review layer before publication.

    - Instructional Time: Deficit due to wildfire closures; waiver pending state approval; no financial impact expected due to basic aid status.
- Bond and Parcel Tax Audits:
    - Five bond elections audited: Measures ES, SMS, M, MM, QS.
    - Parcel tax audit for Measure R.
    - All received unmodified opinions and no exceptions in financial, internal control, or performance audits.
    - Oversight committees regularly review audit results.
- Facilities Policies Updated Include:
    - Administrative Regulation 711: Removal of expired language on relocatable buildings.
    - BP/AR 7140: Architectural and engineering services, including authority to negotiate contracts beyond first choice, and new design-build contract provisions.
    - BP/AR 7150: Site selection and development with environmental review document posting requirements.
    - BP 7210 & AR: Facilities financing updates including Leroy F. Green School Facilities Act funding.
    - BP 7211: Developer fees policies aligned with new government codes.
    - BP 7213: Adoption of School Facility Improvement District policy, formalizing existing practices.
    - BP 7214: General obligation bond policies updated for clarity, ballot language, and oversight committee reporting.
- Budget Policy and Reserve Language Specifics:
    - Proposed reserve fund balance: two months of general fund expenditures plus 3% contingency.
    - Historical two-month reserve calculated at $26.8 million (2018-19); updated to $35.7 million (2024-25) due to increased expenditures ($214 million annually).
    - Basic aid districts recommended to hold higher reserves (~25-33%) compared to state aid districts (~17%).
    - Reserve language explicitly allows use for unforeseen expenditures, economic uncertainties, and cash flow issues.
    - Language clarifies that the board may prioritize expenditures (e.g., employee compensation) reducing reserve but must develop plans to replenish it.
- First Interim Budget Highlights:
    - Enrollment stabilized with only an 80-student decrease.
    - Total general fund expenditures increased to $214 million from $160 million (pre-pandemic).
    - Revenue increases include redevelopment agency (RDA) funds, education protection account, and local taxes.

  - Expenditures rising due to salary enhancements and healthcare cost increases; healthcare projected to rise by 7-9% annually.
  - Use of categorical grants (e.g., professional development, learning recovery grants) to partially offset operating costs.
  - Positive certification submitted to Los Angeles County Office of Education, indicating ability to meet financial obligations despite projected deficits.
- Enrollment and Staffing Notes:
  - Transitional Kindergarten (TK) program expanded with 24-25 additional classrooms.
  - TK impacts enrollment counts and funding but is an unfunded mandate, slightly reducing basic aid status.
  - No significant increase in permanent teacher staffing yet due to enrollment stabilization.
- Fund-Specific Details:
  - Food service program continues to benefit from elevated federal and state meal reimbursement rates.
  - Developer fees fund holding about $5 million.
  - State matching funds for bond projects utilized ($4.9 million).
  - Fund 71 (Retiree Benefits Fund) had no audit findings; recent transfer of $4.5 million to CalPERS SER Trust to reduce liabilities.
- Board and Staff Engagement:
- Board members expressed strong support for updated reserve policy, emphasizing transparency, trust, and alignment with past practice.
- Recognition of the importance of maintaining reserves while also prioritizing employee compensation and student services.
- Staff committed to ongoing budget monitoring, expenditure controls, and collaboration with bargaining units to sustain financial health.

**Summary**
This special Santa Monica-Malibu Unified School District meeting focused on honoring an esteemed alumnus, presenting and approving comprehensive audit reports, updating critical board policies, and discussing budgetary planning and fiscal health. The district demonstrated strong financial stewardship with clean audits and unmodified opinions across multiple programs, bond measures, and foundations. Identified audit findings are being actively addressed with corrective action plans to ensure compliance and continuous improvement.
The board carefully reviewed updated policies reflecting legal changes and operational realities, especially in facilities management and budgeting. A key highlight was the proposed adoption of reserve fund language that codifies the district's practice of maintaining a prudent two-month operating reserve plus contingency, enhancing financial transparency and stability.
The interim budget report showed encouraging signs of enrollment stabilization and revenue growth but also highlighted significant cost pressures, particularly from healthcare benefits. The

district continues to strategically manage expenditures and utilize grant funding to mitigate budgetary challenges while planning for sustainable financial health.

Board members and staff engaged in transparent dialogue emphasizing fiscal responsibility, employee compensation, and student support. The meeting underscored the district's commitment to good governance, community trust, and the alignment of policies with best practices to secure a strong financial future for the district.