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OF EDUCATION**

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**ORANGE COUNTY
BOARD OF EDUCATION**

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January 15, 2025

Hector Bustos, Board President
Santa Ana Unified School District
1601 E. Chestnut Ave.
Santa Ana, CA 92701-6322

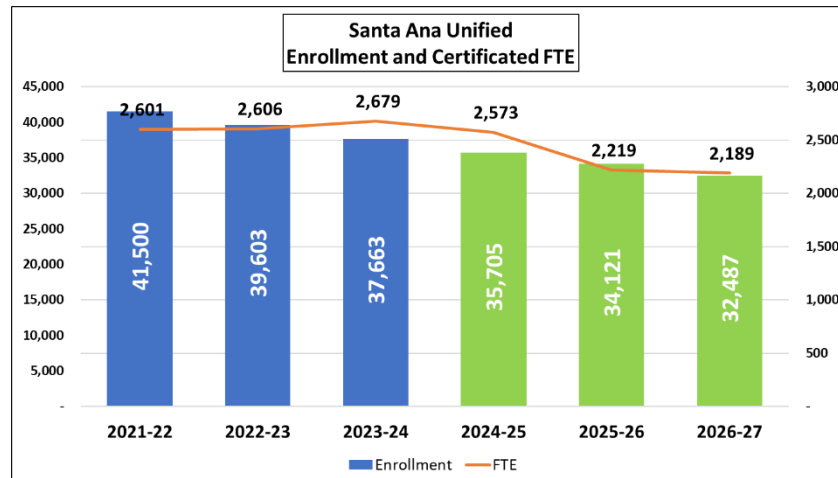
Jerry Almendarez, District Superintendent
Santa Ana Unified School District
1601 E. Chestnut Ave.
Santa Ana, CA 92701-6322

Re: 2024-25 First Interim Report

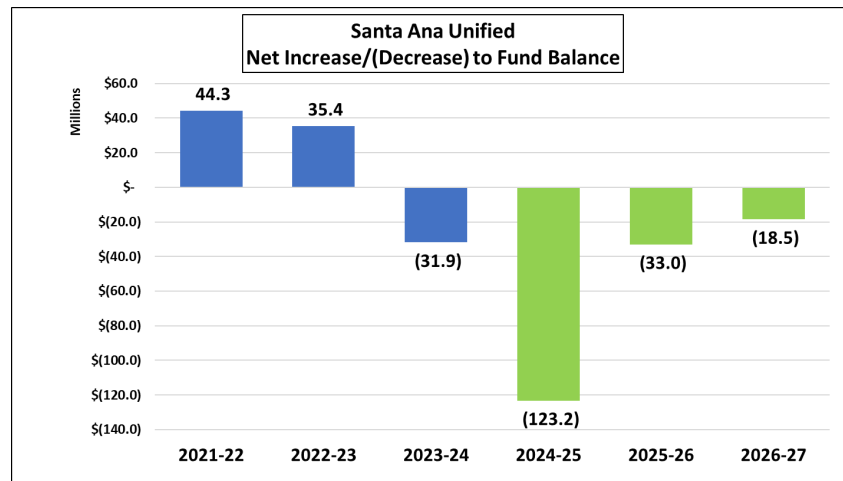
Dear Mr. Bustos and Mr. Almendarez:

Thank you for the timely submission of the 2024-25 First Interim Report. We have completed our review and analysis of the First Interim Report and the accompanying certification of financial solvency. We agree with your assessment that the Santa Ana Unified School District will be able to meet its financial obligations for the current and subsequent two fiscal years and that a positive certification is appropriate.

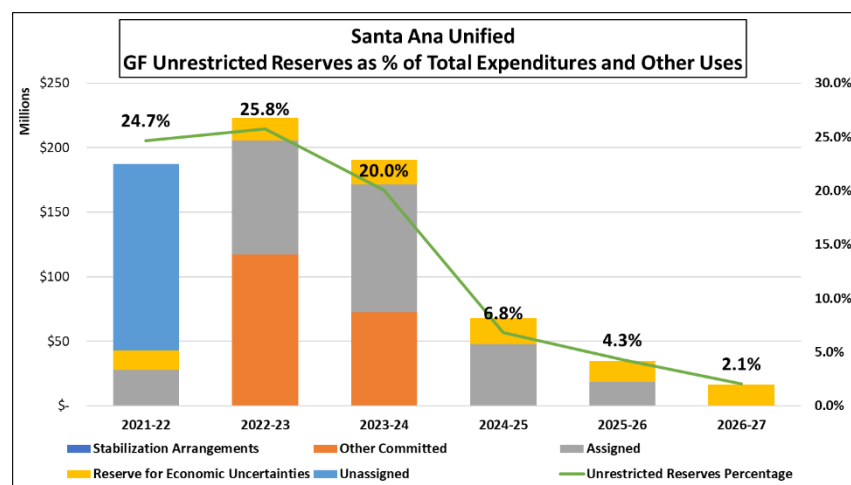
The District is projecting 2024-25 student enrollment of 35,705, representing a decrease of 1,958 students from prior year enrollment. For the two subsequent years, the District is projecting 34,121, a decline of 1,584 students, and 32,487, a decline of an additional 1,634 students. Historically, over the past three years, the District has seen an average decline in enrollment of approximately 5.0% (see chart below). We encourage the District to closely monitor district and charter school enrollment trends and prepare for appropriate budget adjustments should enrollment projections fluctuate adversely.



The District is projecting the unrestricted general fund to decrease by \$123.2 million in 2024-25, decrease by \$33.0 million in 2025-26, and decrease by \$18.5 million in 2026-27 (see chart below). It is important to note that labor negotiations for all collective bargaining units were not settled at the time of the First Interim Report preparation.



As presented in the First Interim Report, the District's unrestricted general fund reserves are projected to be 6.8% in the current year, 4.3% in 2025-26, and 2.1% in 2026-27 (see chart below). We recommend that the Board continue to maintain reserves higher than the State recommended minimum, which better prepares the District to deal with declining enrollment, deficit spending, local emergencies, and state funding uncertainties.



The information submitted with the First Interim Report indicates that labor negotiations are not settled for the current year. In accordance with AB 1200 (Statutes of 1991, Chapter 1213) and Government Code §3547.5, please complete the Disclosure of Collective Bargaining Agreement form and send it to our office at least ten days prior to Board action of any proposed settlement. Additionally, the District has included the estimated cost for step and column movement and health benefit premiums for the current year and two subsequent fiscal years.

Mr. Bustos
Mr. Almendarez
January 15, 2025
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Conclusion

The 2025-26 Governor's Budget was unveiled last week, which is the first step in the State's budget development process. In the coming months, the 2025-26 Budget will go through the legislative process and ultimately require approval from both the Legislature and the Governor prior to July 1, 2025.

We recommend that the District consider the following risks prior to expending LCFF funds, such as: the volatility of state revenues, exposure to significant one-time outlays, declining enrollment, increases in fixed and/or statutory costs such as retirement contributions, Local Control and Accountability Plan (LCAP) priorities, and deferred maintenance needs.

We would like to extend our thanks to your staff for the thorough and timely preparation of the First Interim Report.

Sincerely,

Stefan Bean, Ed.D.
Orange County Superintendent of Schools

cc: Ron Hacker, Associate Superintendent, Business Services/CBO
Dean West, CPA, Associate Superintendent, Business Services
Howard C. Marinier, Executive Director, Business Services