



Los Angeles County Office of Education

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January 11, 2018

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Ms. Lisa Korbatov, Board President
Beverly Hills Unified School District
255 S. Lasky Drive
Beverly Hills, CA 90212

Dear Ms. Korbatov:

Under Education Code (EC) Section 42131, the Los Angeles County Superintendent of Schools (County Superintendent) has completed a review of the Beverly Hills Unified School District's (District) 2017-18 First Interim Report. Our analysis of the data provided indicates that the District should be able to meet its financial obligations for the current and two subsequent years. **We therefore concur with the District's positive certification** and offer our comments and concerns.

DEFICIT SPENDING

We noted the District is projecting an operating deficit of \$2.9 million, representing 5.39 percent of the District's unrestricted General Fund projected expenditures and other outgo for fiscal year 2017-18. According to our review of the District's First Interim data and assumptions, and as confirmed by the District, this projected deficit is primarily due to increasing CalSTRS and CalPERS retirement contributions and restricted program encroachment. While the District continues to maintain the required level of reserves, this level of deficit spending should be recognized and monitored so it remains manageable.

2018-19 EXPENDITURE REDUCTIONS

The 2017-18 First Interim Report projects ongoing certificated expenditure reductions of \$5.0 million beginning in 2018-19, and we are aware that the District has convened a Future Focused Schools Team that is investigating options for school site realignment to realize the reductions. The District's implementation of these planned expenditure reductions will be an important factor in our review and concurrence with the District's 2017-18 Second Interim Report certification.

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CASH FLOW

We noted the District's low positive General Fund ending cash balances of \$3.7 million for June 2018 and \$3.3 million for July 2018. Information included with the 2017-18 First Interim Report indicates that the District has an inter-fund borrowing resolution in place with cash available in other funds in order to address any potential shortfalls during the year. We request that the District notify the County Office immediately if a cash shortfall is projected that cannot be covered through local means.

CONSTRUCTION MANAGEMENT LITIGATION AWARD (CHRISTIENSEN)

In our letter dated August 29, 2017, we requested the District provide an update regarding the appeal of the Christiansen construction management litigation award. We received correspondence from the District's legal counsel stating that the case is awaiting a hearing date by the California Supreme Court. **We request the District continue to provide updates to our office regarding this matter as information becomes available.**

HIGH SCHOOL OIL WELL

District staff has notified our office that the City of Beverly Hills and the District have reached an agreement to share in the cost of closing the drill site. Also, we note the District's financial projections include expenditures for monitoring and closing the site.

CONCLUSION

Thank you for providing documentation that supports the District's positive certification. The multiyear projections, with narrative and assumptions, were helpful in our analysis of the 2017-18 First Interim Report and in verifying the District's fiscal condition.

The information provided reflects the District's financial position and assumptions as of October 31, 2017, and further adjustments will be made during the year as additional data becomes available. We hope these comments will be helpful to the District administration and board as you plan for the remainder of 2017-18 and develop your projections for 2018-19 and 2019-20. We wish to express our appreciation to the District staff for their cooperation during the review of the 2017-18 First Interim Report. If our office can be of further assistance, please call me at (562) 922-6133.

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Sincerely,

Dionisio R. Brache

Dionisio R. Brache (Jan 11, 2018)
Dionisio Brache

Business Services Consultant
Business Advisory Services

DB:db

cc: Michael Bregy, Ed D, Superintendent
LaTanya Kirk-Carter Latham, Assistant Superintendent of Business Services
Angeli Villaflor, Director of Fiscal Services
Dr. Candi Clark, Los Angeles County Office of Education (LACOE)
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