



Los Angeles County Office of Education

Serving Students ■ Supporting Communities ■ Leading Educators

Debra Duardo, M.S.W., Ed.D.
Superintendent

April 10, 2018

**Los Angeles County
Board of Education**

Alex Johnson
President

Thomas A. Saenz
Vice President

Douglas R. Boyd

James Cross

Gregory McGinity

Monte E. Perez

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

Dear Ms. Korbato:

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 Second 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.

FISCAL STABILIZATION PLAN

The District's 2017-18 First Interim report included \$5.0 million of ongoing certificated expenditure reductions in response to the Future Focused Schools Team's school site realignment study. We noted in our review of the 2017-18 Second Interim report, that the District has withdrawn the expenditure reductions. We are concerned this action poses serious implications for the District's solvency as discussed below.

DEFICIT SPENDING

The District projects an operating deficit of \$2.8 million, representing 5.4 percent of the combined unrestricted General and Special Reserve Funds projected expenditures and other outgo for fiscal year 2017-18. The District also projects operating deficits of \$4.1 million for 2018-19, and \$5.5 million for 2019-20. The District's reserves are projected to decrease as illustrated in the following chart.

Ms. Lisa Korbato, Board President
Beverly Hills Unified School District
April 10, 2018
Page 2

Reserves for Economic Uncertainty (REU) Projections
(Combined Unrestricted General & Special Reserve Funds)
(\$ millions)

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Beginning Fund Balance	\$15.8	\$13.0	\$8.9
Projected Deficit Spending	(\$2.8)	(\$4.1)	(\$5.5)
Ending Fund Balance	<u>\$13.0</u>	<u>\$8.9</u>	<u>\$3.4</u>
REU	\$13.0	\$8.9	\$3.4
REU Percent	18.55 percent	12.35 percent	4.47 percent

Over the three-year span, the combined unrestricted General and Special Reserve Funds' ending balance is projected to decrease from \$15.8 million to \$3.4 million, **a decline of 78 percent.**

We are concerned that if this deficit spending trend continues as projected, it will jeopardize the District's fiscal solvency in 2020-21 and beyond. **The District is therefore requested to address deficit spending in a board-approved fiscal stabilization plan (FSP) to be submitted with its 2018-19 Adopted Budget, along with a board resolution for the plan, due to the Los Angeles County Office of Education (County Office) on or before July 2, 2018.** The reasonableness and feasibility of the FSP will be an important factor in our review and approval of the District's 2018-19 Adopted Budget.

CONSTRUCTION MANAGEMENT LITIGATION AWARD (CHRISTIENSEN)

In response to our letter dated August 29, 2017, requesting an update regarding the Christiansen construction management litigation award, we received correspondence from District staff that an appeal hearing was conducted by the California Supreme Court on February 14, 2018, and a decision is pending. **We request the District continue to provide updates to our office regarding this matter as information becomes available.**

Ms. Lisa Korbатов, Board President
Beverly Hills Unified School District
April 10, 2018
Page 3

CONCLUSION

The information provided reflects the District's financial position and assumptions as of January 31, 2018, 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 Second Interim Report. If our office may be of further assistance, please call me at (562) 922-6133.

Sincerely,

Dionisio R. Brache

[Dionisio R. Brache \(Apr 10, 2018\)](#)

Dionisio Brache
Business Services Consultant
Business Advisory Services

DB:lc

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)
Keith D. Crafton, LACOE
Charles Faulkner, LACOE
Jeff Young, LACOE
Chris Burdy, LACOE
Patricia Smith, LACOE
Tracy Minor, LACOE