



Los Angeles County Office of Education

Serving Students ■ Supporting Communities ■ Leading Educators

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

August 29, 2017

**Los Angeles County
Board of Education**

Alex Johnson
President

Thomas A. Saenz
Vice President

Douglas R. Boyd

James Cross

Gregory McGinity

Monte E. Perez

Mr. Mel Spitz, Board President
Beverly Hills Unified School District
255 S. Lasky Drive
Beverly Hills, CA 90212

Dear Mr. Spitz:

Under Education Code (EC) Section 52070(d), the Los Angeles County Superintendent of Schools (County Superintendent) has completed the review of the Beverly Hills Unified School (District) Local Control and Accountability Plan (LCAP) for fiscal year 2017-18. The three criteria for LCAP approval per EC Section 52070(d) include:

1. Adherence to the State Board of Education (SBE) Template
2. Sufficient Expenditures in Budget to Implement LCAP
3. Adherence to SBE Expenditure Regulations

Through the review and oversight process, it has been determined that your District's LCAP has met all three criteria. **This letter serves as your District's notification of approval.**

We remind districts that Supplemental and Concentration (S&C) grant funding is included in the Local Control Funding Formula to increase and/or improve services to targeted student populations. It may be difficult for a district to meet the Minimum Proportionality Percentage at full implementation if S&C grant dollars were not fully expended each fiscal year to serve the targeted students who generated the funding.

BUDGET APPROVAL

Under EC Section 42127, the County Superintendent has completed the review of your District's budget for fiscal year 2017-18. **That review has resulted in approving the District's budget** with the following comments.

HIGH SCHOOL OIL WELL

The District has notified the County Office regarding issues concerning closure of the drill site, specifically, the vendor's bankruptcy status and their abandonment of the drilling site. We note the District's projections include funds for monitoring the site through 2019-20.

Mr. Mel Spitz, Board President
Beverly Hills Unified School District
August 29, 2017
Page 2

EC Sections 42127 and 42127.6 require districts to submit to the County Superintendent any studies, reports, evaluations, or audits completed of the district that contain evidence that the district is showing fiscal distress. They also require the County Superintendent to incorporate that information into our analysis of budgets, interim reports, and the district's overall financial condition. **Therefore, we request that the District provide a written status update on the oil well matter with its 2017-18 First Interim Report, due to our office on or before December 15, 2017.**

CONSTRUCTION MANAGEMENT LITIGATION AWARD

We are aware that the District is appealing a construction management litigation with an award liability of up to \$22.8 million. **We request the District provide a written status update on the litigation matter with its 2017-18 First Interim Report, due to our office on or before December 15, 2017.**

DEFICIT SPENDING

The District is projecting an operating deficit of \$2.5 million for 2017-18. This level of deficit spending represents 4.74 percent of the unrestricted General Fund's budgeted outgo. According to our review, and as confirmed by the District, the projected deficits are primarily due to increasing CalSTRS and CalPERS retirement contributions and restricted program encroachment. While the District also projects that it will maintain the required level of reserves, we request that the District monitor the projected deficit spending to ensure that it remains manageable.

CASH FLOW

We noted the District's low positive General Fund ending cash balances of \$3.8 million for June 2018 and \$3.3 million for July 2018. Information included with the 2017-18 Adopted Budget 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.

LABOR CONTRACT NEGOTIATIONS

According to the information provided in the District's Budget, labor contract negotiations for 2017-18 remain unsettled, however potential increases for 2017-18 have been calculated and incorporated into budgeted salary and benefit expenditures. This letter is a reminder that, before the District's Board of Education takes any action on a proposed collective bargaining agreement, the District must meet the public disclosure requirements of Government Code Section 3547.5 and the California Code of Regulations Title V, Section 15449. The document used for this analysis was included in Informational Bulletin (IB) No. 4619, dated July 11, 2017, and is titled "2017-18 Forms for Assembly Bill (AB) 1200: Public Disclosure of Proposed Collective Bargaining Agreements." This document can be found at the following website:

<https://www.lacoe.edu/BusinessServices/DocumentsForms.aspx>

Mr. Mel Spitz, Board President
Beverly Hills Unified School District
August 29, 2017
Page 3

2017-18 BUDGET REVISIONS AFTER STATE BUDGET ADOPTION

Since the District's budget assumptions may have changed from the Board adopted budget as a result of the State Adopted Budget and trailer legislation, this is a reminder that EC 42127(i)(4) states:

“Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act”

Districts should take steps to make any necessary adjustments to their adopted budget. The adjustments should be submitted to the Los Angeles County Office of Education upon Governing Board approval. Please refer to IB No. 4620 titled “Budget and 45 Day Revision Process for 2017-18” dated July 11, 2017, for additional information. This bulletin can be found at the following website:

<https://www.lacoe.edu/Bulletins.aspx>

CONCLUSION

We wish to express our appreciation to the District's staff for their cooperation during the review of the District's LCAP and budget for fiscal year 2017-18. If you have questions regarding your District's LCAP approval, please call Jeanne Keith at (562) 922-6354. If you have questions regarding your District's budget approval, please call Dionisio Brache at (562) 922-6133.

Sincerely,



Keith D. Crafton, Director
Business Advisory Services

KDC/DB:lc

cc: Michael Bregy, Ed D, Superintendent
LaTanya Kirk-Carter Latham, Chief Administrative Officer
Dustin Seeman - Assistant Superintendent - Education Services
Angeli Villafior, Director of Fiscal Services
Chris Hertz, Director of Student Services and Special Projects
Patricia Smith, Los Angeles County Office of Education (LACOE)
Arturo Valdez, LACOE
Charles Faulkner, LACOE
Jeff Young, LACOE
Chris Burdy, LACOE
Dionisio Brache, LACOE
Tracy Minor, LACOE
Dina Wilson, LACOE
Bonnie McFarland, LACOE
Jeanne Keith, LACOE