BEVERLY HILLS UNIFIED SCHOOL DISTRICT
FINANCE COMMITTEE

June 25, 2015
3:30 p.m. – 5:30 p.m.
Superintendent’s Conference Room

I. Meeting called to order – 3:40 p.m.

II. Attendance:
   • Committee Members – Marilyn Gallup, Bob Sternshein, Colleen Knerr, Martin Frank
   • Board Vice President – Howard Goldstein
   • Staff Members – Steve Kessler, La Tanya Kirk-Carter, Angeli Villaflor, Shemia Moore
   • District Consultant – Ms. Colleen Patterson
   • Community – Joe Safier

III. APPROVAL OF AGENDA – Agenda approved

IV. APPROVAL OF MEETING MINUTES – Meeting minutes of May 21, 2015 tabled until next meeting.

V. PUBLIC COMMENT – No public comments

VI. BOARD REPORT (OFF AGENDA)
   • Howard Goldstein reporting that at the June 18, 2015 Board meeting the Board authorized the selling of $76 million of Measure E Bonds.
   • The Board also approved all pre-construction items on the agenda for El Rodeo School, Hawthorne School and Beverly Hills High School.
   • Are there any updates regarding the litigation over the subway going under the high school?
     The owners have put the property up for sale. The bidding process is supposed to open on July 10, 2015. There may be up to eighty suitors for that property. If the property is used for residential purposes there may be no need for litigation.
   • The settlement with the high school principal was in the amount of $685,000. During the course of litigation the district was able to get insurance that will cover two thirds of the total settlement.

VII. BUDGET PRESENTATION 2015/2016

Exhibits A, B, C
   • The budget is currently very tight. Please see bottom line of page two (Exhibit A2). The line next to Object Code 9790 is very concerning. You see in the
current year of 2014/2015 we ended the year with a very healthy $3.2 million and we have spent that and then some. The year-end estimate of $446,640.85 will possibly increase to $600,000 to $700,000. The budget has been reviewed line by line to see where and if we were over/under budgeted and how close was the ending balance to the new beginning balance.

- **Are these projections carried forward from the previous administration? You’re projecting forward from the previous year.** – Howard Goldstein
  These numbers do not include any potential staffing changes. Potential staffing changes are not projected.

- **Staffing requirements at the high school for both certificated and classified staff will be reviewed.** – Howard Goldstein

- The District received some of the funding for ROP. *(Exhibit B)* We had to lobby with LACOE to allow the District to use the County Tax Assessors’ projection of revenue of 5.92% even though LACOE only projects 2%. We were initially told that the 2% was all that we would be allowed to project in new revenue.

- We were given information at P1 by the County Tax Assessor’s Office that showed our property taxes at $1.8 million. At P2 that same amount had been decreased to $800,000.

- **The Finance Committee would like to have someone from the County Tax Assessor’s Office meet with the District to discuss how the property taxes in Beverly Hills are calculated for distribution to the District.**

- **Should the District/Board President take action in writing requesting for an explanation of the differences between P1 ($1.8 million) and P2 ($800,000) from the County Tax Assessor’s Office? It is recommended that a copy of this letter be sent to Jeff Prang, Los Angeles County Assessor and Sheila Kuehl, Los Angeles County Supervisor, District 3.**

- Major concerns include:
  - Salary increases have been budgeted and the current increase is projected at 3.4%.
  - The new additions to the budget that the Board has previously approved *(Exhibit B)*. Going in to the 15/16 school year we are spending a large amount on on-going activities with one-time funds. The funds from Prop 98 ($2.3 million) and monies received for the Waldorf Astoria project ($1.6 million) were both included in the budget but are one-time revenues.

- Please refer to the 2015/2016 column on the Property Tax Worksheet *(Exhibit C)*. The District has projected what we have received in increased taxes at $2.1 million, but we are still spending too much and not being realistic with our revenues/expenses.

- This budget will be approved by LACOE. LACOE understands that we still have a very large Fund 17 at $10 million.

- In the previous year, the year ended at $3.2 million in the unassigned unappropriated, LACOE did not require the District to put the 3% in the 9789-Reserve for Economic Uncertainties. This year we do not have that excess of funds in 9789-Reserve for Economic Uncertainties so LACOE may
force the District to take $1.9 million from Fund 17 because the Reserve for Economic Uncertainties has to be at 3%.

- **How much is budgeted for legal costs?**
  At this point the District has spent close to $2.4 million in legal fees. Legal fees going forward have been budgeted at close to $3 million excluding Measure E.

VIII. **OPEB (Exhibit D)**

- The OPEB funding is on the agenda for June 30th. The District did a comparison review of PARS and CalPERS. It was decided that PARS would be the best instrument for Beverly Hills Unified. The District has an account with PARS that was previously set up and contains $20,000. PARS has more flexible investment options and we will be working with our actual account manager.

- There will be two resolutions presented to the Board. The options will be to either fund this through the General Fund or with the endowment. If the Board votes to move forward the $880,000 will be placed into a money market account. The Board will be asked to submit a subcommittee member from the Board and we will need a subcommittee member from the finance committee to meet with the investment manager.

- **If the District decides to do this, we’re going to pay $416,937 in annual benefit payments that comes out of the operating budget. So we put another $880,711 that would come out of our ten million dollar endowment which is only earning 0.65% and we earn like 6%, 7%, or 9%. If there is a good investment manager we can earn up to 9%.**

- **Will any of the finance committee members be needed at the Board meeting to support the vote?**
  Yes, the meeting is Tuesday, June 30th. Marty Frank volunteered to attend the Board meeting to support the OPEB vote.

- The Board has commissioned brokers Burnham Benefits to advise the District on OPEB and other healthcare benefit issues. Burnham has brought to the District another health benefit solution matched up perfectly in another JPA (Self-Insured Schools of California (SISC)). If one of the Boards overriding goals is to reduce this OPEB obligation the District can be moved into another benefit JPA, not CalPERS, it would be SISC. The rates would be the same, the employees would be the same, we would get the same benefits, and the thing that goes away is the $122 per employee until death for OPEB obligation.

- **It is recommended by the committee that a recommendation like this be brought to this committee before the Board.**

- **What is Burnham’s compensation?**
  Their fee is a flat rate consultant fee.
The first part of Burnham’s mission was to work with our Cadillac Tax projection results in 2017/2018, because a lot of school districts are behind when it comes to the Affordable Care Act (ACA) compliance. Beverly Hills has low risk for Cadillac Tax.

The committee requests a list of positives and negatives of what switching our JPA?

IX. UPDATE AND SCHEDULE ON INTERNAL CONTROLS (Exhibit E)

- The committee asked Colleen Patterson to bring forward what she was working on with regards to internal controls.
- Working through internal audit the first thing you want to do is determine where you maximum exposure is.
- The internal audits started with accounts payable because this is where you have your cash, volume, and you have your turnover in personnel.
- Plans to do sampling for the last two years. We have testing standards that will be put into a matrix. Then based on the matrix train the current accounts payable employee on proper procedures. The matrix will establish what the expectation is.
- Field trip and travel and conference procedures will be the next area for Colleen to review.
- Has anyone looked at or spoken with any of the districts prior or current auditors? Most curious about the Measure E audit. There were some control issues raised there also.

I have not looked at that piece yet. This is mostly the scope which does include construction documents.

X. BOND FINANCING

- Based on the current plans how much of the $76 million will the District actually have to go up for? What is the status on that?

It appears that with all of the expanded scope that is incorporated into the $518 million, which would put us at $150 to $160 million short. The Board will have to go out for a bond in January and we will either be refinancing the $110 million from Measure E along with $150 million and go out for that bond or go out for the $150 million.

- So the $150 million would be done after this current bond?

Yes. We’ve known that since 2008 and 2010. To do these projects these amounts are not sufficient. The numbers have ranged from $450 to $600. The big question is, let’s assume for a moment, that the bond isn’t passed in June 2016. If we abate and open up the high school and El Rodeo, simultaneously, will there be enough money to complete all seismic work? Will we be able to open and close the buildings without additional bond funding? The answer is yes. Work at Hawthorne wouldn’t begin until Summer 2016.
• Where do we stand with Christianson?
  We are in a much better position this meeting vs. our previous meeting. An
  appellate case indicated that under Government Code 1090 which
  Christianson was tried on, which was a criminal case because she was a
  consultant, we always believed it applied in a civil manner. The trial court
  said no, this isn’t a criminal case. Meanwhile we already know of two other
  appellate cases that say if you’re a consultant and can influence the Board
  then you fall under 1090.

XI. PROPERTY TAX INFORMATION
  Committee wants to find out how the calculation is done. What is the process?

XII. SALARY UPDATE
  Discussed during budget portion of the agenda.

XIII. FUTURE ITEMS FOR DISCUSSION
  2015-2016 Finance Committee Meeting Calendar
  Superintendent’s Report

XIV. FUTURE MEETING DATES
  Proposed dates to be emailed.

XV. ADJOURNMENT
  Motion to adjourn: 5:17 p.m.