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Darline P. Robles, Ph.D.
Superintendent

January 11, 2008

Los Angeles County
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Dr. Felton Williams, Board President
Long Beach Unified School District
1515 Hughes Way
Long Beach, CA 90810

Dear Dr. Williams:

In accordance with the provisions of Education Code (EC) Section 42131, a review of the Long Beach Unified School District's (District) First Interim Report for fiscal year 2007-08 has been completed by the Los Angeles County Superintendent of Schools (County Superintendent). 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 the following comments.

DECLINING ENROLLMENT AND REDUCED REVENUE LIMIT FUNDING

The District's 2007-08 First Interim Report projects the Revenue Limit average daily attendance (ADA) for 2007-08, 2008-09, and 2009-10 at 85,369, 83,020 and 80,207 respectively. While the District is able to use the previous year's higher ADA for revenue limit funding, a long term reduction in attendance will result in significant revenue reductions. We encourage the District to continue monitoring the projected enrollment trends and keep our office informed of any changes that materially affect the multiyear projections.

DEFICIT SPENDING

The District's First Interim Report projects an operating deficit of \$20 million, which is 2.48 percent of the total budgeted outgo for 2007-08. 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 the expenditure of prior year restricted fund balance, as well as the impact of the 2007-08 classified and non-represented salary settlement.

CHILD DEVELOPMENT FUND

The Child Development Fund has required a contribution from the District's General Fund of \$1.1 million, \$393,804, and \$1.2 million for 2004-05, 2005-06, and 2006-07, respectively. The District's First Interim Report projects a contribution of \$1.6 million for 2007-08. These contributions have enabled the Fund to maintain a positive fund balance during these years. District staff have indicated that the current year contribution is partially the result of the classified and non-represented salary increase and contributions for funding Other Post Employment Benefits. Staff have further indicated that the District is in the process of reviewing the fund's revenues and expenses to reduce the reliance upon the General Fund contributions. We request that the District submit a fiscal recovery plan for the Child Development Fund with its Second Interim Report, due to our office no later than March 15, 2008. The plan should include a current and multiyear financial forecast as well as any planned actions the District will take to reduce the General Fund's contributions.

LABOR CONTRACT NEGOTIATIONS

We have received your AB 1200 public disclosure document indicating that a proposed bargaining agreement between the District and the California State Employees Association bargaining unit was approved by the Board on November 20, 2007, for a salary increase of 4.53 percent. We have also received the board approved budget adjustments to reflect the cost of the increase in the District's 2007-08 Budget.

According to the information provided in the District's First Interim Report, certificated labor contract negotiations for 2007-08 remain unsettled and potential increases have not 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 Urgent Bulletin No. 2, dated July 10, 2007, and is titled "2007-08 Forms for Assembly Bill (AB) 1200: Public Disclosure of Proposed Collective Bargaining Agreements." This document can be found at the following Web site:

www.lacoe.edu/bas

CONCLUSION

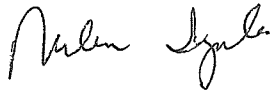
Thank you for providing documentation that supports the District's positive certification. The multiyear projections, with accompanying narrative and

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assumptions, were extremely helpful in our analysis of the 2007-08 First Interim Report and in verifying the District's fiscal condition.

We are aware that the information provided reflects the District's financial position and assumptions as of October 31, 2007, and that further adjustments will be made during the year as additional data becomes available. We hope that these comments will be helpful to the District administration and board as you plan for the remainder of 2007-08 and develop your projections for 2008-09 and 2009-10. We wish to express our appreciation to the District staff for their cooperation during the review of the 2007-08 First Interim Report. If our office can be of further assistance, please call me at (562) 922-6132.

Sincerely,



Melvin Iizuka, Assistant Director
Financial Management Services
Division of Business Advisory Services

MI:gm

cc: Mr. Steinhauser, Superintendent
Mr. Stallings, Chief Business and Financial Officer
Ms. Ng, Financial Services Officer
~~Ms. Ginder, Budget Director~~
Ms. Thorpe, Accounting Director
Mr. Shelton, Los Angeles County Office of Education (LACOE)
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Mr. Burdy, LACOE
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