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Darline P. Robles, Ph.D.
Superintendent

April 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 Section 42131, a review of the Long Beach Unified School District's (District) Second Interim Report for fiscal year 2007-08 has been completed by the Los Angeles County Superintendent of Schools. 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 with the implementation of the Board-approved budget reductions and fiscal stabilization contingency plan submitted with the Second Interim Report that are intended to restore and maintain the District's required minimum level of Reserve for Economic Uncertainties (REU) for 2008-09 and 2009-10. We therefore concur with the District's positive certification and offer our comments and concerns regarding the following issues.

DECLINING ENROLLMENT AND REDUCED REVENUE LIMIT FUNDING

The District's 2007-08 Second Interim Report assumptions and multiyear projections indicate that enrollment continues to decline resulting in a loss of approximately 2,732 average daily attendance (ADA) for 2007-08 and an additional loss of 2,800 ADA for 2008-09. Consequently, the District's revenue limit funding losses for 2008-09 and 2009-10 due to declining enrollment are projected to be approximately \$15.4 million and \$16.3 million, respectively. To offset these funding losses, District staffing levels will be reduced, as necessary.

In addition, the Governor's 2008-09 Proposed State Budget is projected to further reduce the District's revenue limit funding by an additional \$35 million. However, the District's governing board adopted budget reductions on February 19, 2008, and March 4, 2008, that offset the projected revenue limit funding loss and allows the District to maintain the required 2.0 percent REU.

LABOR CONTRACT NEGOTIATIONS

We have received your AB 1200 public disclosure documents indicating that bargaining agreements between the District, the Teachers Association of Long Beach (TALB) and the Teachers Association of Long Beach Child Development Center/Head Start (TALB CDC/Head Start) were approved by the Board on March 18, 2008, for salary increases of 4.53 percent. *We noted in our letter dated March 12, 2008, that a Board-approved fiscal stabilization plan would be required in order for the District to fund the TALB and TALB CDC/Head Start agreements and maintain the required minimum reserve level for 2008-09 and 2009-10. On April 1, 2008, the District's governing board adopted a Fiscal Stabilization Contingency Plan that will allow the District to fund these agreements and maintain the required 2.0 percent REU.

DEFICIT SPENDING

The District's Second Interim Report projects an operating deficit of \$29.6 million, which is 3.62 percent of the total budgeted outgo for 2007-08. According to our review of the District's Second 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 salary settlements.

CHILD DEVELOPMENT FUND

We noted in our First Interim Report letter to the District, dated January 11, 2008, that the District's Child Development Fund has required a contribution from the District's General Fund since 2004-05, and requested that the District submit a fiscal recovery plan for the Child Development Fund with its Second Interim Report. The District's Second Interim Report reflects a contribution of \$1.3 million; however, the plan was not included. Therefore, we request that the Child Development Fund fiscal recovery plan be included with the District's 2008-09 adopted budget that is required to be Board-approved no later than July 1, 2008.

CONCLUSION

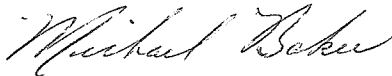
Thank you for providing documentation that supports the District's positive certification. The multiyear projections, with accompanying narrative and assumptions, were extremely helpful in our analysis of the 2007-08 Second Interim Report and in verifying the District's fiscal condition.

We are aware that the information provided reflects the District's financial position and assumptions as of January 31, 2008, and that further adjustments will be made during the year as additional data becomes available. We hope that these comments

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will be helpful to the District administration and board as you plan for the remainder of 2007-08 and develop your budget for 2008-09 and projections for 2009-10 and 2010-11. We wish to express our appreciation to the District staff for their cooperation during the review of the 2007-08 Second Interim Report. If our office can be of further assistance, please call me at (562) 922-6226.

Sincerely,



Michael Baker
Business Services Consultant
Division of Business Advisory Services

MB: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
Ms. Dunn, LACOE
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