

**POSTED 08-08-22**

**STOCKTON UNIFIED SCHOOL  
DISTRICT**

**PETITION TO FORM  
THE UNBOUND STOCKTON COMMUNITY SCHOOL  
CHARTER SCHOOL**

**GOVERNING BOARD PUBLIC HEARING DATE:**

July 12, 2022

**GOVERNING BOARD DETERMINATION MEETING DATE:**

August 23, 2022

**Background:**

On May 26th, 2022, the District received the Petition (“Petition”) to form the Unbound Stockton Community School (“Charter School”), for a term of July 1, 2023 through June 30, 2028. The Petitioners propose that the Charter School would eventually serve 300 students in Grades 4-8.

On July 12, 2022, the Board conducted a public hearing on the Petition as required by Education Code 47605(b) to consider the level of support for the Petition by teachers, other employees and parents/guardians.

At its August 23, 2022 meeting, the Board must take action to grant or deny the Petition under the standards set forth in Education Code section 47605(c).

**Legal Requirements:**

Education Code section 47605(c)(5) requires that the Petition contain a reasonably comprehensive description of the following required elements:

1. Description of educational program
2. Measurable pupil outcomes
3. Method for assessing pupil progress
4. Governance structure of the school
5. Employee qualifications
6. Health & safety procedures
7. Means to achieve race/ethnic balance
8. Admission requirements, if applicable
9. Manner in which annual independent financial audits shall be conducted
10. Student suspension & expulsion procedures
11. Staff coverage by State Teachers’ Retirement System, Public Employees’ Retirement System or Social Security
12. Public school attendance alternatives
13. District employee leave & return rights
14. Dispute resolution process
15. Procedures for closure of school

**Other Information Required for a Successful Charter Petition:**

1. Information regarding proposed operation and potential effects of the school
2. Facilities to be utilized
3. Provision of administrative services
4. Potential civil liability effects, if any
5. Proposed 1st year budget, and 3 years of financial projections/cash flow
6. Affirmations
  - a. Nonsectarian program
  - b. No tuition
  - c. No discrimination
  - d. Admission not according to residence of pupil or parents

(Education Code section 47605(h).)

**Grounds for Denial:**

If a governing board denies a Petition, it must make written findings to support any of the following grounds under Education Code § 47605(c):

“(1) The charter school presents an unsound educational program for the pupils to be enrolled in the charter school;

(2) The petitioners are demonstrably unlikely to successfully implement the program set forth in the petition;

(3) The petition does not contain the [required] number of signatures;

(4) The petition does not contain an affirmation of each of the conditions described in subdivision [Education Code §§47605](e);

(5) The petition does not contain reasonably comprehensive descriptions of all of the [criteria set forth in Education Code §§47605(c)(5)(A)-(O)]; and

(6) The petition does not contain a declaration of whether or not the charter school shall be deemed the exclusive public employer of the employees of the charter school for purposes of [Government Code § 3540 (the Rodda Act, the State’s collective bargaining law for school employees.)].”

(7) The charter school is demonstrably unlikely to serve the interests of the entire community in which the school is proposing to locate. Analysis of this finding shall include consideration of the fiscal impact of the proposed charter school. A written factual finding under this paragraph shall detail specific facts and circumstances that analyze and consider the following factors:

(A) The extent to which the proposed charter school would substantially undermine existing services, academic offerings, or programmatic offerings.

(B) Whether the proposed charter school would duplicate a program currently offered within the school district and the existing program has sufficient capacity for the pupils proposed to be served within reasonable proximity to where the charter school intends to locate.

(8) The school district is not positioned to absorb the fiscal impact of the proposed charter school. A school district satisfies this paragraph if it has a qualified interim certification pursuant to Section 42131 and the county superintendent of schools, in consultation with the County Office Fiscal Crisis and Management Assistance Team, certifies that approving the charter school would result in the school district having a negative interim certification pursuant to Section 42131, has a negative interim certification pursuant to Section 42131, or is under state receivership. Charter schools proposed in a school district satisfying one of these conditions shall be subject to a rebuttable presumption of denial.

**Potential Outcomes for August 23, 2022 Board Action:**

Education Code section 47605(b) requires that “[t]he governing board of the school district shall publish all staff recommendations, including the recommended findings ... regarding the petition at least 15 days before the public hearing at which the governing board of the school district will either grant or deny the charter.” This staff recommendation was posted on August 8, 2022, in compliance with Education Code section 47605(b).

Education Code section 47605(b) requires that the Board “grant or deny” the renewal. Staff identifies the following two potential outcomes:

- Option 1: Grant the Petition to form the Unbound Stockton Community School for a term of July 1, 2023 through June 30, 2028, to eventually serve 300 students in Grades 4-8.
- Option 2: Deny the Petition to form the Charter School, and adopt this report as the Board’s findings in support of denial pursuant to Education Code section 47605(b).

**Staff Recommendation:**

*For the reasons stated in this Report, Staff recommends that the Board exercise Option 2, deny the Petition to form the Charter School, and adopt this report as the Board’s findings in support of denial pursuant to Education Code section 47605(b).*

**RESOLUTION OF THE STOCKTON UNIFIED SCHOOL DISTRICT  
BOARD OF EDUCATION  
REGARDING PETITION TO FORM  
THE UNBOUND STOCKTON COMMUNITY SCHOOL  
CHARTER SCHOOL**

WHEREAS, by enacting the Charter Schools Act (Ed. Code §§ 47600, *et seq.*), the Legislature has declared its intent to provide opportunities to teachers, parents, pupils, and community members to establish and maintain schools that operate independently from the existing school district structure for the purposes specified therein; and

WHEREAS, the Legislature has declared its intent that charter schools are and should become an integral part of the California educational system and the establishment of charter schools should be encouraged, and that charter schools are part of and under the jurisdiction of the Public School System and the exclusive control of the officers of the public schools; and

WHEREAS, Assembly Bill 1505 (AB 1505) was signed into law by Governor Gavin Newsom on October 3, 2019, adding a number of new provisions to the petition review and evaluation criteria, most of which took effect on July 1, 2020; and

WHEREAS, AB 1505 amended Education Code §47605(c) to state that an authorizer “shall grant a charter for the operation of a school under this part if it is satisfied that granting the charter is consistent with sound educational practice *and with the interests of the community in which the school is proposing to locate.* The governing board of the school district [or potential authorizer] shall consider the academic needs of the pupils the school proposes to serve” (Emphasis Provided); and

WHEREAS, although charter schools are exempt from many of the laws governing school districts, in return for that flexibility, they are accountable for complying with the terms of their charters and applicable law; and

WHEREAS, Education Code §47605(c) charges school district governing boards and county boards of education with the responsibility of reviewing charter petitions to determine whether they meet the legal requirements for a successful charter petition; and

WHEREAS, a successful charter petition must contain reasonably comprehensive descriptions of the criteria set forth in Education Code § 47605(c)(5)(A)-(O), as well as the affirmations and other requirements set forth in Education Code §47605; and

WHEREAS, if a governing board denies a petition to form a charter school, it must make written findings to support any of the following under Education Code § 47605(c): “(1) The charter school presents an unsound educational program for the pupils to be enrolled in the charter school; (2) The petitioners are demonstrably unlikely to successfully implement the program set forth in the petition; (3) The petition does not contain the [required] number of signatures [not applicable to renewals]; (4) The petition does not contain an affirmation of each of the conditions described in subdivision [Education Code §§47605](e); (5) The petition does not contain reasonably

comprehensive descriptions of all of the [criteria set forth in Education Code §§47605(c)(5)(A)-(O)]; and (6) The petition does not contain a declaration of whether or not the charter school shall be deemed the exclusive public employer of the employees of the charter school for purposes of [Government Code § 3540 (the Rodda Act, the State’s collective bargaining law for school employees.);]” in addition to the two new grounds added as set forth below; and

WHEREAS, AB 1505 added the following grounds for denial of a petition, effective July 1, 2020:

(7) “The charter school is demonstrably unlikely to serve the interests of the entire community in which the school is proposing to locate. Analysis of this finding shall include consideration of the fiscal impact of the proposed charter school. A written factual finding under this paragraph shall detail specific facts and circumstances that analyze and consider the following factors: (A) The extent to which the proposed charter school would substantially undermine existing services, academic offerings, or programmatic offerings. (B) Whether the proposed charter school would duplicate a program currently offered within the school district and the existing program has sufficient capacity for the pupils proposed to be served within reasonable proximity to where the charter school intends to locate,” and

(8) “The school district is not positioned to absorb the fiscal impact of the proposed charter school. A school district satisfies this paragraph if it has a qualified interim certification pursuant to Section 42131 and the county superintendent of schools, in consultation with the County Office Fiscal Crisis and Management Assistance Team, certifies that approving the charter school would result in the school district having a negative interim certification pursuant to Section 42131, has a negative interim certification pursuant to Section 42131, or is under state receivership. Charter schools proposed in a school district satisfying one of these conditions shall be subject to a rebuttable presumption of denial.”

WHEREAS, on May 26th, 2022, the District received the Petition (“Petition”) form the Unbound Stockton Community School (“Charter School”), for a term of July 1, 2023 through June 30, 2028. The Petitioners propose that the Charter School would eventually serve 300 students in Grades 4-8; and

WHEREAS, on July 12, 2022, the Board conducted a public hearing on the Petition as required by Education Code 47605(b) to consider the level of support for the Petition by teachers, other employees and parents/guardians; and

WHEREAS, the Governing Board, under Education Code §47605(c), is obligated to take action to grant or deny the Petition within 90 days of its submission, unless the parties mutually agree to an extension of up to thirty (30) days; and

WHEREAS, at its August 23, 2022 meeting, the Board must take action to grant or deny the Petition under the standards set forth in Education Code section 47605(c); and

WHEREAS, if a governing board denies a petition to form or renew a charter school, it must make written findings to support any of the grounds listed under Education Code § 47605(c).

NOW, THEREFORE, BE IT FURTHER RESOLVED AND ORDERED by the Stockton Unified School District Board of Education that:

**Option 1:** The Board hereby Grants the Petition to form the Unbound Stockton Community School for a term of July 1, 2023 through June 30, 2028, to eventually serve 300 students in Grades 4-8. [Proceed directly to the recitals at the end of this Resolution]; or

**Option 2:** *The Board hereby Denies the Petition to form the Charter School, and adopts this report as its findings in support of denial pursuant to Education Code section 47605(b), for the reasons stated below:*

1. *Petitioners are Demonstrably Unlikely to Successfully Implement the Program Set Forth in the Petition (Education Code § 47605(c)(2)).*
2. *The Petition Fails to Contain a Reasonably Comprehensive Description of all 15 Required Elements set forth in Education Code § 47605(c). (Education Code § 47605(c)(5)(A)-(O).)*
3. *The charter school is demonstrably unlikely to serve the interests of the entire community in which the school is proposing to locate. Analysis of this finding shall include consideration of the fiscal impact of the proposed charter school. A written factual finding under this paragraph shall detail specific facts and circumstances that analyze and consider the following factors: (A) The extent to which the proposed charter school would substantially undermine existing services, academic offerings, or programmatic offerings. (B) Whether the proposed charter school would duplicate a program currently offered within the school district and the existing program has sufficient capacity for the pupils proposed to be served within reasonable proximity to where the charter school intends to locate. (Education Code § 47605(c)(7)).*

**1. Required Petition Elements/Likelihood of Successfully Implementing the Program Set Forth in the Petition.**

*“In determining whether the descriptions in the petition are “reasonably comprehensive,” an authorizer considers whether they contain information that:*

- 1) *is substantive and is not a listing of topics with little elaboration;*
- 2) *for elements that have multiple aspects, addresses all aspects of each element, not just selected aspects;*
- 3) *is specific to the charter petition being proposed, not to charter schools or charter petitions generally; and*

- 4) *describes how the charter school will:*
- a) *improve student learning;*
  - b) *increase learning opportunities for its students, particularly students who have been identified as academically low achieving;*
  - c) *encourage the use of different or innovative teaching methods;*
  - d) *create new professional opportunities for teachers;*
  - e) *provide parents, guardians, and students with expanded educational opportunities;*
  - f) *hold itself accountable for measurable, performance-based student outcomes; and*
  - g) *provide vigorous competition with other public school options available to parents, guardians, and students.” (5 C.C.R. § 11967.5.1(g).)*

**A. The Educational Program of the School. (Subd. (c)(5)(A)(i)):**

*The educational program should identify, among other things:*

- (a) *Charter petitions must include a description of annual goals for all pupils and for each subgroup of pupils identified pursuant to Section 52052, to be achieved in the state priorities, as described in subdivision (d) of Section 52060, that apply for the grade levels served, or the nature of the program operated, by the charter school, and specific annual actions to achieve those goals. A charter petition may identify additional school priorities, the goals for the school priorities, and the specific annual actions to achieve those goals.” (Subd. (c)(5)(A)(ii).)*
- (b) *the target student population, including grade levels, approximate numbers of students, and specific educational interests, backgrounds or challenges;*
- (c) *what it means to become an “educated person” in the 21st century, including a description of the specific educational experiences that the charter school will offer to enable each of its students to become an “educated person;”*
- (d) *a statement regarding how learning best occurs;*
- (e) *the objective of enabling students to become self-motivated, competent, and lifelong learners;*
- (f) *a framework for instructional design that is aligned with the needs of the target student population;*
- (g) *the basic learning environment;*
- (h) *the instructional approach, including, but not limited to, the curriculum teaching methods that will enable the school’s students to master the content standards for the four core curriculum areas adopted by the State Board of Education pursuant to Education Code section 60605 and to achieve the objectives specified in the charter;*
- (i) *how the charter school will identify and respond to the needs of students who are not achieving at or above expected levels;*
- (j) *how the charter school will meet the needs of the students with disabilities, English learners, students achieving substantially above or below grade level expectations, and other special student populations;*
- (k) *the charter school’s special education plan, including, but not limited to, the means by which the school will comply with Education Code section 47641, the process to be used to identify students who qualify for special education programs and services, how the school will provide or access special education programs and services, the school’s understanding of its responsibilities under the law for special education students, and how the school intends to meet those responsibilities; and*
- (m) *if the charter school will serve high school students, a description of how the school will inform parents about the transferability of courses to other public high schools and the eligibility of courses to meet college entrance requirements. (Subd. (c)(5)(A); 5 C.C.R. § 11967.5.1(f)(1).)*

**Findings:**

**Target Student Population:**

*A charter petition must contain a reasonably comprehensive description of “the target student population, including grade levels, approximate numbers of students, and specific educational*



*interests, backgrounds or challenges.” (Education Code section 47605 Subd. (c)(5)(A); 5 C.C.R. § 11967.5.1(f)(1).) This requirement must be evaluated in conjunction with Element 7, which requires a reasonably comprehensive description of “[t]he means by which the charter school will achieve a balance of racial and ethnic pupils, special education pupils, and English learner pupils, including redesignated fluent English proficient pupils, as defined by the evaluation rubrics in Section 52064.5, that is reflective of the general population residing within the territorial jurisdiction of the school district to which the charter petition is submitted.” (Education Code section 47605 Subd. (c)(5)(G).) (Emphasis Provided.)*

*The Petition sets forth a very deliberate and purposeful targeted student demographic, which it characterizes as the Charter School’s “racial and socioeconomic diversity demographic goals.” (Petition, p. 54.) The Petition also explicitly admits that it does not use as a benchmark the demographic profile of SUSD, but of the broader region, which has lower percentages of Latino/Hispanic students, African-American students, English Learners, and Socioeconomically Disadvantaged students:*

*It is also important to note that our school demographics is (sic) very much more closely reflective of the demographics of the territorial jurisdiction of Stockton Unified School District, rather than just the students in the district itself. Thereby furthering our purposeful decision to recruit throughout the city, which would include students who likely attend different school districts, private schools, or are home schooled. (Petition, p. 14.) (Emphasis Provided.)*

*Education Code section 47605(c)(5)(G) requires that the Charter Schools’s demographic profile be reflective of the “the general population residing within the territorial jurisdiction of the school district.” The Petition interprets this phrase to encompass a greater geographic area than the SUSD’s geographic boundaries. (Petition, p. 14.) Accordingly, the Petition states that it anticipates enrolling students from adjacent districts, such as Lincoln Unified, Lodi Unified, and Manteca Unified, as well as private school and home-school students. (Id.) The Petition anticipates that, at full enrollment, the Charter School would enroll 150 students from SUSD, 60 students from Lincoln Unified, 30 from Lodi Unified, and 30 from Manteca Unified. (Petition. P. 14.)*

*According to data contained in the Petition, the Charter School plans to enroll a lower percentage of Latino/Hispanic students than the City of Stockton and SUSD, and the other districts that the Charter School would target. The percentage of African-American students would also fall below that of the City of Stockton and the SUSD “territorial jurisdiction” while the Charter School’s percentage of Asian American/Pacific Islander and White students would exceed that of SUSD and most of the other targeted districts:*

Figure 1: Target School Demographic vs. Local Area					
	Total Population	Percent Latinx/Hispanic	Percent White	Percent Black/African American	Percent Asian, Filipino, Pacific Islander
Unbound Stockton	300 Students	40	20	10	20
Stockton, Ca <sup>6</sup>	320,804 People	44	19	11	21
SUSD Territorial Jurisdiction	203,631 People	57	17	13	10
Stockton USD	35,242 students	67.3	5.1	9.9	13.1
Lodi USD	28,268 students	45.7	19.4	6.9	22.3
Manteca USD	23,707 students	56.8	17.4	6	15.7
Lincoln USD	8,923 students	49.2	19.2	12.4	14.1

(Petition, p. 14.)

In terms of other demographic measures, the Charter School’s population would also lag behind that of SUSD for English Learners and Socioeconomically-Disadvantaged pupils. The Petition claims that the Charter School would serve a 15% student population with disabilities “because our personalized and flexible schooling model will appeal to families of children with nontraditional learning styles and special educational needs” (Petition, p. 39), despite the implausibility of serving a higher percentage of special education students than the County or any of the four school districts that the Charter School would be targeting:

Figure 10: Student Demographics by District <sup>37</sup>						
	Stockton Unified School District	Lincoln Unified School District	Lodi Unified School District	Manteca Unified School District	Students in San Joaquin County	Unbound Stockton
Total student population <sup>38</sup>	35242	8,923	28,268	23,707	151,179	300

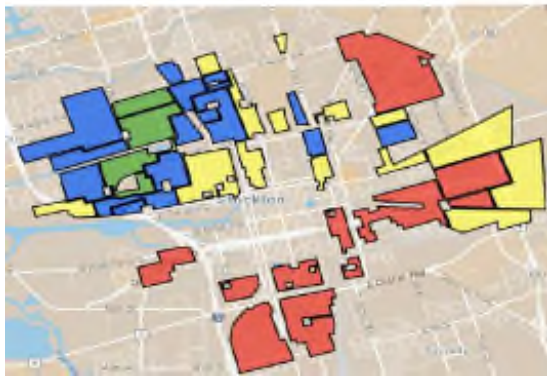
Chart Excerpted

Percentage EL	23.4%	13.1%	19.7%	21.5%	18.8%	20%
Percentage SED <sup>43</sup>	82%	63%	68.8%	61.2%	64.9%	75%
Students with disabilities	11.2%	12.2%	13.5%	13%	12.2%	15%

(Petition, p. 38 [Chart Excerpted].)

*Based upon information provided in the Petition, the Petitioners also acknowledge that they are targeting a student population, both within SUSD boundaries, and the boundaries of the Lincoln Unified, Lodi Unified, and Manteca Unified School Districts, that contains lower concentrations of socioeconomically disadvantaged students than the population in SUSD boundaries:*

**Figure 4: Stockton Redlining Map 1900's**



(Petition, p. 31.)

**Figure 9: Stockton School Districts**



(Petition, p. 36.)

*The demographic profile to which the Petitioners aspire is problematic for several reasons:*

*1. Education Code section 47605(c)(5)(G) is clear that the Charter School's demographic profile shall be reflective of the "the general population residing within the territorial jurisdiction of the school district," that is, the District's enrollment boundaries. "Territory" is defined as "a geographic area belonging to or under the jurisdiction of a governmental authority."<sup>1</sup> Therefore, the term "territorial jurisdiction of the school district" refers to its geographic boundaries, not an undefined and strategically selected broader area that includes other school districts.*

*2. The Petition cites the divisive effect of the City of Stockton's history of racial segregation as the rationale for its pupil demographic goals. (Petition, pp. 27-28). The Petition goes on to state that "[t]he crux of our mission is to leverage Stockton's diversity as a mechanism for dismantling deep divisions across the city" through "the equitable distribution of resources and opportunities across a diverse population of students." (Id.) In an attempt to justify its desire not to serve a proportion of traditionally underserved students within SUSD's pupil demographic, the Petition engages in rhetorical doublespeak, claiming that it can rectify deep-seated patterns of segregation by operating a public charter school in Downtown Stockton that has an explicit objective of not serving its fair share of the District's underserved students, in favor of students residing in other school districts.*

*3. The Petitioner's stated goal of having a lower proportion of traditionally underserved subgroups than SUSD violates Education Code section 47605(e)(4)(A), which states that:*

*A charter school shall not discourage a pupil from enrolling or seeking to enroll in the charter school for any reason, including, but not limited to, academic*

<sup>1</sup> <https://www.merriam-webster.com/dictionary/territory>

*performance of the pupil or because the pupil exhibits any of the characteristics described in clause (iii) of subparagraph (B) of paragraph (2) [which includes pupils with disabilities, academically low-achieving pupils, English learners, neglected or delinquent pupils, homeless pupils, or pupils who are economically disadvantaged, as determined by eligibility for any free or reduced-price meal program, foster youth, or pupils based on nationality, race, ethnicity, or sexual orientation.]*

*4. Moreover, Education Code section 47605(e)(2)(A) states that “[a] charter school shall admit all pupils who wish to attend the charter school.” Therefore, the Charter School would have to admit all students who applied, subject to the preferences set forth in Element H of the Charter. Education Code section 47605(e)(2)(B) states that “[p]reference shall be extended to ... pupils who reside in the school district.” Although Element 8 of the Petition also incorporates the preference for SUSD pupils as Preference No. 4 (Petition, p. 256), there is no mechanism under which students from the other targeted districts would receive preference in admissions. Therefore, notwithstanding the fact that its desired demographic profile would violate the Education Code, the Charter School is demonstrably unlikely to successfully implement its desired pupil demographic due to the preferences in Education Code and the Charter.*

*Special Education:*

*A charter petitioner has two options with respect to the provision of special education services: it can join a Special Education Local Plan Area (SELPA) as a Local Educational Agency (LEA), or it can become a “school of the district” and receive special education services from its authorizer.*

*Ed. Code 47641(a) and (b) provide that:*

*(a) A charter school that includes in its petition for establishment or renewal, or that otherwise provides, verifiable, written assurances that the charter school will participate as a local educational agency in a special education plan approved by the State Board of Education shall be deemed a local educational agency for the purposes of compliance with federal law [IDEA] ... and for eligibility for federal and state special education funds. A charter school that is deemed a local educational agency for the purposes of special education pursuant to this article shall be permitted to participate in an approved special education local plan ...*

*(b) A charter school that was granted a charter by a local educational agency that does not comply with subdivision (a) may not be deemed a local educational agency pursuant to this article, but shall be deemed a public school of the local educational agency that granted the charter. (Emphasis Provided.)*

*The Petition states that the Charter School projects that it will serve a student population of 15% students with disabilities, higher than that of the District or County, “because our personalized and flexible schooling model will appeal to families of children with nontraditional*

*learning styles and special educational needs.” (Petition, p. 39.) Yet, the Petition fails to definitively commit to whether it will join a SELPA as an LEA, or be a “school of the district” for special education purposes. Rather, the Petitioner states that “[i]f Unbound Stockton Community School chooses to be its own LEA, it will make written verifiable assurances that it will become an independent LEA and, upon acceptance into a SELPA, will be an independent LEA member of that SELPA pursuant to Education Code Section 47641(a).” (Petition, p. 119.) It also says that “[i]n the event that the Charter School does not gain membership in a SELPA for its first year of operation, it shall by default be categorized as a “school of the District” for special education purposes pursuant to Education Code Section 47641(b), and shall seek membership in a SELPA to commence in year two of operation.” (Id.)*

*The Petition’s failure to definitively commit to a model for the provision of special education services results in other ambiguities in its proposed special education delivery model. If the Charter School is a “school of the district,” the Petition proposes that the Charter School “enter into an MOU with Stockton Unified School District ... whereby SUSD shall forward all state and federal special education revenues generated by the Charter School’s enrollment to the Charter School and the Charter School shall provide all necessary special education instruction and related services.” (Petition, p. 119.)*

*However, the Petition’s proposed model does not square with Education Code section 47646(b)’s allocation of responsibility for special education services to the authorizer under the “school of the district” model. Education Code section 47646(b) states as follows:*

*[T]he local educational agency that granted the charter shall ensure that each charter school that is deemed a public school for purposes of special education receives an equitable share of special education funding and services consisting of either, or both, of the following:*

- (1) State and federal funding provided to support special education instruction or designated instruction and services, or both, provided or procured by the charter school that serves pupils enrolled in and attending the charter school ....*
- (2) Any necessary special education services, including administrative and support services and itinerant services, that are provided by the local educational agency on behalf of pupils with disabilities enrolled in the charter school.*

*Therefore, the Petitioner’s proposed service delivery model as a “school of the district” for special education purposes, under which it would receive funding on a pass-through basis and provide its own services, is inconsistent with the allocation of responsibility for such services under Education Code section 47646(b). Specifically, the Petition’s proposed model would expose the District to liability for the Charter School’s acts, errors or omissions in the provision of special education services.*

*The Petition’s budget is likewise ambiguous, allocating expenses for “Special Education Contract Instructors” but not identifying any contribution to Districtwide special education*

costs under Education Code section 47646(c) (“each charter school that is deemed a public school for purposes of special education [shall] also contribute[] an equitable share of its charter school block grant funding to support districtwide special education instruction and services ...”)

The Petition also states that “[a] change in LEA status or SELPA membership shall not require a material revision of this charter.” (Petition, p. 119.) However, a Charter School cannot unilaterally dictate to an authorizer what changes require a material revision. (See, e.g., *Today’s Fresh Start Charter School v. Inglewood Unified School District* (2018) 20 Cal.App.5th 276.)

**B/C. Measurable Pupil Outcomes/Methods of Measuring Pupil Outcomes:**

The measurable student outcomes identified for use by the charter school, defined as “the extent to which all pupils of the charter school demonstrate that they have attained the skills, knowledge, and attitudes specified as goals in the charter school’s educational program. (Subd. (c)(5)(B).)

Outcomes must “address increases in pupil academic achievement both schoolwide and for all groups of pupils served by the charter school, as that term is defined in subdivision (a) of section 52052. The pupil outcomes shall align with state priorities, as described in subdivision (d) of Section 52060, that apply for the grade levels served, or the nature of the program operated, by the charter school.”

The student outcomes should, at a minimum:

- (a) specify skills, knowledge, and attitudes that reflect the school’s educational objectives and can be assessed by objective means that are frequent and sufficiently detailed enough to determine whether students are making satisfactory progress;
  - (i) the frequency of the objective means of measuring student outcomes should vary according to such factors as grade level, subject matter, the outcome of previous objective measurements, and information that may be collected from anecdotal sources; and
  - (ii) Objective means of measuring student outcomes must be capable of being used readily to evaluate the effectiveness of and to modify instruction for individual students and groups of students.

The method by which progress toward meeting the student outcomes is measured. (Subd. (c)(5)(C).) The method should, at a minimum:

- (a) utilize a variety of assessment tools that are appropriate to the skills, knowledge, or attitudes being assessed, including, at a minimum, tools that employ objective means of assessment;
- (b) include the annual assessment results from the [CAASPP]; and
- (c) outline a plan for collecting, analyzing, and reporting student achievement data to school staff and parents, and for utilizing the data to monitor and improve the charter school’s educational program. (5 C.C.R. § 11967.5.1(f)(3)) (Subd. (c)(5)(C).)

**Findings: No findings.**

**D. Governance**

*The governance structure of the charter school, including, but not limited to, the process to be followed by the school to ensure parental involvement. (Subd. (c)(5)(D).) The governance structure should, at a minimum:*

- (a) *include evidence of the charter school's incorporation as a non-profit public benefit corporation, if applicable;*
- (b) *include evidence that the organizational and technical designs of the governance structure reflect a seriousness of purpose necessary to ensure that:*
  - (i) *the charter school will become and remain a viable enterprise;*
  - (ii) *there will be active and effective representation of interested parties, including, but not limited to parents and guardians; and*
  - (iii) *the educational program will be successful.*
- (c) *include evidence that parental involvement is encouraged in a variety of ways and may include any of the following*
  - (i) *classroom observation;*
  - (ii) *meetings with teachers and administrators;*
  - (iii) *volunteering in the classroom and elsewhere at the school;*
  - (iv) *student absence notification;*
  - (v) *providing information on student achievement at the charter school;*
  - (vi) *maintaining a safe school environment;*
  - (vii) *examining the instructional materials used in the class or classes in which their child is enrolled;*
  - (viii) *being informed of their child's progress in school and of the appropriate school personnel whom they should contact if problems arise with their child;*
  - (ix) *having access to the school records of their child;*
  - (x) *receiving information concerning the academic performance standards, proficiencies, or skills their child is expected to accomplish;*
  - (xi) *being informed in advance about school rules, attendance policies, dress codes, and procedures for visiting the school; and*
  - (xii) *participating as a member of any parent advisory committee established by the charter school. (5 C.C.R. § 11967.5.1(f)(4).)*

**Findings:** *No findings.*

**E. Employee Qualifications:**

*The qualifications to be met by individuals employed by the school. (Subd. (c)(5)(E).) The qualifications should, at a minimum:*

- (a) *identify general qualifications for the various categories of employees (e.g., administrative, instructional, instructional support, non-instructional support);*
- (b) *ensure the health and safety of the school's faculty, staff, and students, and the academic success of the students;*
- (c) *identify those positions that the charter school regards as key in each category and specify the additional qualifications expected of individuals assigned to those positions; and*
- (d) *specify that all requirements for employment set forth in applicable provisions of law will be met, including, but not limited to credentials as necessary. (5 C.C.R. § 11967.5.1(f)(5).)*

**Findings:** *No findings.*

**F. Health and Safety:**

*The procedures that the school will follow to ensure the health and safety of students and staff. (Subd. (c)(5)(F).)  
The procedures should, at a minimum:*

- (a) *require that each employee of the school provide a criminal record summary as described in Education Code section 44237;*
- (b) *include the examination of faculty and staff for tuberculosis as described in Education Code section 49406;*
- (c) *require immunization of students as a condition of school attendance to the same extent as would apply if the students attended a non-charter public school;*
- (d) *provide for the screening of students' vision and hearing and the screening of students for scoliosis to the same extent as would be required if the students attended a non-charter public school. (5 C.C.R. § 11967.5.1(f)(6).)*
- (e) *The development of a school safety plan, which shall include the safety topics listed in subparagraphs (A) to (J), inclusive, of paragraph (2) of subdivision (a) of Section 32282 and procedures for conducting tactical responses to criminal incidents:*
  - i. *Child abuse reporting procedures;*
  - ii. *Disaster procedures, routine and emergency, including adaptations for pupils with disabilities;*
  - iii. *Policies pursuant to subdivision (d) of Section 48915 for pupils who committed an act listed in subdivision (c) of Section 48915 and other school-designated serious acts that would lead to suspension, expulsion, or mandatory expulsion recommendations;*
  - iv. *Procedures to notify teachers of dangerous pupils pursuant to Section 49079;*
  - v. *A discrimination and harassment policy consistent with the prohibition against discrimination set forth in Education Code section 200*
  - vi. *The provisions of any schoolwide dress code, pursuant to Section Education Code 35183 that prohibits pupils from wearing "gang-related apparel," if the school has adopted that type of a dress code;*
  - vii. *Procedures for safe ingress and egress of pupils, parents, and school employees to and from school;*
  - viii. *A safe and orderly environment conducive to learning at the school;*
  - ix. *The rules and procedures on school discipline adopted pursuant to Education Code sections 35291, 35291.5, 47605, and 47605.6;*
- x. *Procedures for conducting tactical responses to criminal incidents, including procedures related to individuals with guns on school campuses and at school-related functions. The procedures to prepare for active shooters or other armed assailants shall be based on the specific needs and context of each school and community."*

Findings: *No findings.*

**G. Racial and Ethnic Balance:**

*The means by which the charter school will achieve a balance of racial and ethnic pupils, special education pupils, and English learner pupils, including redesignated fluent English proficient pupils, as defined by the evaluation rubrics in Section 52064.5, that is reflective of the general population residing within the territorial jurisdiction of the school district to which the charter petition is submitted. Upon renewal, for a charter school not deemed to be a local educational agency for purposes of special education pursuant to Section 47641, the chartering authority may consider the effect of school placements made by the chartering authority in providing a free and appropriate public education as required by the federal Individuals with Disabilities Education Act (Public Law 101-476), on the balance of pupils with disabilities at the charter school." (Subd. (c)(5)(G).)*

Findings: *See, pp. 8-12 for the discussion on the Petitioner's demographic goals.*



**H. Admissions Requirements:**

*Admission requirements, if applicable. (Subd. (c)(5)(H).) The admission requirements shall be in compliance with the requirements of Education Code section 47605(e) and any other applicable provision of law. (5 C.C.R. § 11967.5.1(f)(8).)*

- (i) Each type of preference shall be approved by the chartering authority at a public hearing.*
- (ii) Preferences shall be consistent with federal law, the California Constitution, and Section 200.*
- (iii) Preferences shall not result in limiting enrollment access for pupils with disabilities, academically low-achieving pupils, English learners, neglected or delinquent pupils, homeless pupils, or pupils who are economically disadvantaged, as determined by eligibility for any free or reduced-price meal program, foster youth, or pupils based on nationality, race, ethnicity, or sexual orientation.*
- (iv) Preferences shall not require mandatory parental volunteer hours as a criterion for admission or continued enrollment.*

**Findings:**

*See, pp. 8-12 for the discussion on the Petition's admissions preferences as they relate to the Charter School's demographic goals.*

**I. Audit Procedure:**

*The manner in which annual, independent, financial audits shall be conducted. (Subd. (c)(5)(I).) Such audits shall employ generally accepted accounting principles and shall, at a minimum:*

- a. specify who is responsible for contracting and overseeing the independent audit;*
- b. specify that the auditor will have experience in education finance;*
- c. outline the process of providing audit reports to the chartering district, or other agency as the district may direct, and specify the time-line in which audit exceptions will typically be addressed; and*
- d. state the process the charter school will follow to address any audit findings and/or resolve any audit exceptions. (5 C.C.R. § 11967.5.1(f)(9).)*

**Findings:** *No findings.*

**J. Student Discipline:**

*The procedures by which students can be suspended or expelled. (Subd. (c)(5)(J).) The procedures shall, at a minimum:*

- a. identify a preliminary list of offenses for which students may (or must, where discipline is non-discretionary) be suspended or expelled;*
- b. identify the procedures by which students can be suspended or expelled;*
- c. identify the procedures by which parents, guardians, and students will be informed about reasons for suspension or expulsion and of their due process rights in regard to suspension or expulsion;*
- d. provide evidence that the petitioners reviewed the lists of offenses and discipline procedures and believe their lists provide adequate safety for students, staff, and visitors to the school and serve the best interests of the school's students and their parents/guardians; and*
- e. if not otherwise covered under paragraphs (a), (b), (c), and (d):*
  - i. provide due process for all students and demonstrate an understanding of the rights of students with disabilities in regard to suspension and expulsion; and*
  - ii. outline how detailed policies and procedures will be developed and periodically reviewed and modified, as necessary. (5 C.C.R. § 11967.5.1(f)(10).)*

- f. *These procedures, at a minimum, shall include an explanation of how the charter school will comply with federal and state constitutional procedural and substantive due process requirements that is consistent with all of the following:*
- (i) *For suspensions of fewer than 10 days, provide oral or written notice of the charges against the pupil and, if the pupil denies the charges, an explanation of the evidence that supports the charges and an opportunity for the pupil to present his or her side of the story.*
  - (ii) *For suspensions of 10 days or more and all other expulsions for disciplinary reasons, both of the following:*
    - (I) *Provide timely, written notice of the charges against the pupil and an explanation of the pupil's basic rights*
    - (II) *Provide a hearing adjudicated by a neutral officer within a reasonable number of days at which the pupil has a fair opportunity to present testimony, evidence, and witnesses and confront and cross-examine adverse witnesses, and at which the pupil has the right to bring legal counsel or an advocate.*
  - (iii) *Contain a clear statement that no pupil shall be involuntarily removed by the charter school for any reason unless the parent or guardian of the pupil has been provided written notice of intent to remove the pupil no less than five schooldays before the effective date of the action. The written notice shall be in the native language of the pupil or the pupil's parent or guardian or, if the pupil is a foster child or youth or a homeless child or youth, the pupil's educational rights holder, and shall inform him or her of the right to initiate the procedures specified in clause (ii) before the effective date of the action. If the pupil's parent, guardian, or educational rights holder initiates the procedures specified in clause (ii), the pupil shall remain enrolled and shall not be removed until the charter school issues a final decision. For purposes of this clause, "involuntarily removed" includes disenrolled, dismissed, transferred, or terminated, but does not include suspensions specified in clauses (i) and (ii).*

Findings: *No Findings.*

**K. STRS/PERS:**

*The manner by which staff members of the charter schools will be covered by the State Teachers Retirement System, the Public Employees' Retirement System, or federal social security. (Subd. (c)(5)(K).) This requires, at a minimum, that the charter specify the positions to be covered under each system and identify the staff who will be responsible for arranging coverage. (5 C.C.R. § 11967.5.1(f)(11).)*

Findings: *No Findings.*

**L. Public School Attendance Alternatives:**

*The public school attendance alternatives for students residing within the school district who choose not to attend charter schools. (Subd. (c)(5)(L).) The alternatives shall specify, at a minimum, that the parent or guardian of each student enrolled in the charter school shall be informed that the student has no right to admission in a particular school of any local education agency (or program of any local education agency) as a consequence of enrollment in the charter school, except to the extent that such a right is extended by the local education agency. (5 C.C.R. § 11967.5.1(f)(12).)*

Findings: *No Findings.*

**M. Employee Rights:**

*A description of the rights of any employees of the school district upon leaving the employment of the school district to work in a charter school, and of any rights to return to the district after employment at a charter school. (Subd. (c)(5)(M).) The description shall set forth, at a minimum, the following rights:*

- a. *any rights upon leaving the employment of a local education agency to work in the charter school that the local education agency may specify;*

- b. any rights of return to employment in a local education agency after employment in the charter school as the local education agency may specify; and
- c. any other rights upon leaving employment to work in the charter school and any rights to return to a previous employer that are not in conflict with law. (5 C.C.R. § 11967.5.1(f)(13).)

**Findings:** No Findings.

**N. Dispute Resolution:**

The procedures to be followed by the charter school and the chartering authority to resolve disputes relating to provisions of the charter. (Subd. (c)(5)(N).) The procedures shall, at a minimum:

- a. describe how the costs of the dispute resolution process, if needed, would be funded; and
- b. recognize that if the substance of a dispute is a matter that could result in the taking of appropriate action, including, but not limited to, revocation of the charter, the matter will be addressed at the chartering district’s discretion in accordance with that provision of law and any regulations pertaining thereto. (5 C.C.R. § 11967.5.1(f)(14).)

**Findings:** No Findings.

**O. Closure Procedures:**

A description of the procedures to be used if the charter school closes. The procedures shall ensure a final audit of the school to determine the disposition of all assets and liabilities of the charter school, including plans for disposing of any net assets and for the maintenance and transfer of student records. (Subd. (c)(5)(O).)

**Findings:** No Findings.

**2. Likelihood of Successfully Implementing the Program Set Forth in the Petition.**

**A. Fiscal/Budget:**

**Findings:**

The Petition assumes unmitigated growth during the 5 years of the charter term, eventually reaching 300 students in 2027-2028:

Year	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
Enrollment	120	180	240	270	300
ADA (95%)	114	171	228	256	285

(Petition, p. 304.)

However, the Petition’s projections are unrealistic, given the Statewide and local declines in enrollment since the pandemic. The enrollment assumptions do not take attrition into account, and the Charter School’s untraditional grade ranges (4-8) would diminish the number of students on the wait list, as Fourth and Fifth grades do not represent entry points for most schools.

*The Petition states that the Charter School would maintain a reserve of 44% of annual operating expenses by Year Five, which, even in financially uncertain times, seems excessive, and suggests that the Petitioners have underestimated operating expenses. (Petition, p. 302.)*

**B. Facilities**

*Findings: The Petition states that “[a]s Stockton is the County seat, and Downtown Stockton the center of the city, Unbound Stockton desires to locate in the zip code associated with Downtown Stockton, 95202, or as close to it as possible. Downtown Stockton is a location with a number of vacant buildings for potential facility options.” (Petition, p. 318.) However, the Petition does not identify a specific facility<sup>2</sup>. The Petition also demonstrates unfamiliarity with Proposition 39, mis-citing the statute as “Education Code Section 47610” instead of Education Code section 47614, and misstating the threshold for eligibility. The Petition also does not contain any substantiation for the Petition’s budget for facilities costs. The Petitioners do not provide any proposed leasing agreement, quotes, comparable market rates, or other validated cost assumptions.*

**3. The Charter School is Demonstrably Unlikely to Serve the Interests of the Entire Community in which the School is Proposing to Locate.**

*Education Code section 47605(c)(7) identifies the following grounds for denial of a charter petition:*

*The charter school is demonstrably unlikely to serve the interests of the entire community in which the school is proposing to locate. Analysis of this finding shall include consideration of the fiscal impact of the proposed charter school. A written factual finding under this paragraph shall detail specific facts and circumstances that analyze and consider the following factors:*

*(A) The extent to which the proposed charter school would substantially undermine existing services, academic offerings, or programmatic offerings.*

*(B) Whether the proposed charter school would duplicate a program currently offered within the school district and the existing program has sufficient capacity for the pupils proposed to be served within reasonable proximity to where the charter school intends to locate.*

*Findings: The program proposed in the Petition has significant duplications with district schools (as well as charter schools) already operating in SUSD. A comparative program analysis of the Petition’s “Mission, Key Pillars and Core Values” and a sample of SUSD Elementary schools reveals that all elements of the Unbound Stockton program model are already present in existing SUSD Schools. For example, the Petition’s focus on school community, equity, lifelong learning and self-awareness are present features in all sampled*

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<sup>2</sup> Education Code section 47605(h) provides that “[t]he governing board of a school district shall require that the petitioner or petitioners provide information regarding the proposed operation and potential effects of the charter school, including, but not limited to, the facilities to be used by the charter school ... “

*SUSD Primary Schools. Furthermore, the Petition’s instructional focus and strategies identified in page 106-109 are all existing features of Stockton Unified Instructional Program. (Petition, pp.43-46, 106-109.)*

<b>Similar School</b>	<b>Neighboring Zip Code</b>	<b>Grades Served</b>	<b>Mission</b>	<b>Key Pillars</b>	<b>Core Values</b>
<a href="#"><u>George Washington Elementary</u></a>	95203	K-8	George Washington school creates a challenging learning environment that promotes high standards using Common Core instruction. Lifelong learning skills are fostered through technology and research-based instructional strategies including the AVID College Readiness System. George Washington School encourages sportsmanship, school spirit, and pride through daily goals and educational accomplishments. We urge parents and community members to actively participate in our student's learning and success.		
<a href="#"><u>Cleveland Elementary</u></a>	95204	K-8	The Cleveland School community provides a high level, standards-based education ensuring all students achieve their full academic potential and become responsible, respectful citizens and leaders in a global society.	Our vision is to ensure that all students are college-, career-, and community-ready and who Become life-long learners; Striving for success	<ul style="list-style-type: none"> <li>• Raise All Student Achievement</li> <li>• Ensure a Safe &amp; Positive Environment</li> <li>• Effective Use of Direct Interactive Instruction (DII)</li> </ul>

<a href="#">Grunsky Elementary</a>	95205	K-8	At Grunsky Elementary, all teachers ensure high levels of learning for all students by working in professional learning communities to refine instructional practices to address the needs of our students.	Grunsky, in partnership with parents and the community, will establish foundational skills by providing a positive, safe, supportive school that encourages students to strive for academic, social and emotional excellence.	
Taft/Montessori Specialty School	95203	K-8	The mission of Taft Montessori Specialty School is to provide all students opportunities to receive a quality educational experience implementing the overarching philosophy and practices of Dr. Maria Montessori. The method of instruction may differ between the traditional classes and the Montessori Magnet classes; however, we intend to promote a clean, comfortable, and respectful atmosphere that encourages cultural and socioeconomic diversity by providing all students with the opportunity to obtain a quality public education. Taft's aim is to equip each student with the skills, knowledge, and motivation to respond to the ever-changing world of the 21st century.	<ul style="list-style-type: none"> <li>• Beginning at an early age, Montessori students develop order, coordination, concentration, and independence.</li> <li>• Students are part of a close, caring community.</li> <li>• Montessori students enjoy freedom within limits.</li> <li>• Students are supported in becoming active seekers of knowledge.</li> <li>• Self-correction and self-assessment are an integral part of the Montessori classroom approach.</li> </ul>	<b>TAFT'S R.O.A.R Principles</b> R Responsible O Organized A Always Safe R Respectful

Unbound Stockton School	95202	4-8	At Unbound Stockton Community School, we work to understand ourselves and our role in the community. We develop the knowledge, skills, and experiences that allow us to choose how to unpack and undo the systems that have divided us and, by learning together, unlock the potential of an unbound community.	<p><b>Pillars</b></p> <p>Pillar #1: Intentionally Integrated Schools Provide Significant Learning Benefits</p> <p>Pillar #2: Focus on Deeper Learning and Enduring Success</p> <p>Pillar #3: Students Actively Engage with and Participate in Their Community</p>	<p><b>UNITE core values</b></p> <ul style="list-style-type: none"> <li>• <b>Understand Self:</b> We act as our authentic selves, by knowing our authentic self.</li> <li>• <b>Never Stop Growing:</b> We know learning never ends, so we consistently try new things and challenge ourselves.</li> <li>• <b>Include Others:</b> We create safe and inclusive spaces; we know that, to achieve this, we must come together and show up for each other.</li> <li>• <b>Take on Challenges:</b> We believe in doing the self-work to show up and to be ready to learn, grow, and create change.</li> <li>• <b>Equity Requires Action:</b> We work to create a more diverse, equitable, and inclusive learning community.</li> </ul>
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*Moreover, due to declining enrollment, all of the programs listed below have additional capacity, as demonstrated by the following table<sup>3</sup>:*

- <sup>3</sup> [https://go.boarddocs.com/ca/susd/Board.nsf/files/CAUPQG63F1CC/\\$file/2021-22%20Demographics%20%26%20Enrollment%20Projections.pdf](https://go.boarddocs.com/ca/susd/Board.nsf/files/CAUPQG63F1CC/$file/2021-22%20Demographics%20%26%20Enrollment%20Projections.pdf)
- [https://go.boarddocs.com/ca/susd/Board.nsf/files/CAUQNM686055/\\$file/Stockton Demographics 2021 report.pdf](https://go.boarddocs.com/ca/susd/Board.nsf/files/CAUQNM686055/$file/Stockton%20Demographics%202021%20report.pdf)

## Projections By Grade

► The following chart shows the current and projected enrollment by grade for the District over the next six years.

Grade	Historic Enrollment			Current Enrollment		Projected Enrollment				
	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
TK	409	462	298	375	734	1,121	1,374	1,814	1,799	1,782
K	2,956	2,803	2,223	2,521	2,547	2,437	2,669	2,553	2,529	2,509
1	3,011	2,953	2,748	2,576	2,657	2,673	2,565	2,793	2,678	2,654
2	3,053	2,956	2,917	2,733	2,606	2,690	2,696	2,586	2,817	2,698
3	2,988	3,018	2,893	2,880	2,720	2,588	2,662	2,669	2,557	2,788
4	2,816	2,960	2,965	2,857	2,884	2,716	2,574	2,650	2,658	2,547
5	2,968	2,808	2,908	2,895	2,858	2,879	2,701	2,561	2,632	2,648
6	2,975	2,921	2,698	2,864	2,861	2,820	2,838	2,662	2,525	2,595
7	3,074	2,941	2,829	2,611	2,853	2,847	2,798	2,819	2,636	2,505
8	2,966	3,050	2,853	2,819	2,595	2,821	2,818	2,771	2,786	2,606
9	2,744	2,839	2,877	2,707	2,703	2,442	2,692	2,687	2,646	2,664
10	2,513	2,705	2,767	2,848	2,709	2,700	2,430	2,685	2,679	2,634
11	2,489	2,487	2,639	2,792	2,886	2,740	2,727	2,457	2,713	2,705
12	2,603	2,656	2,575	2,731	3,007	3,101	2,940	2,925	2,635	2,907
Total TK-5	18,201	17,960	16,952	16,837	17,006	17,104	17,241	17,626	17,670	17,626
Total 6-8	9,015	8,912	8,380	8,294	8,309	8,488	8,454	8,252	7,947	7,706
Total 9-12	10,349	10,687	10,858	11,078	11,305	10,983	10,789	10,754	10,673	10,910
District Totals	37,565	37,559	36,190	36,209	36,620	36,575	36,484	36,632	36,290	36,242

Page 123 (Demographic Study)

### Fiscal Impact of Proposed Charter School:

According to the “Fiscal and Facilities Review” conducted by the Fiscal Crisis & Management Assistance Team (“FCMAT”), and presented to the Board on February 8, 2022<sup>4</sup> (attached as Exhibit A), the District faces some significant financial challenges in the upcoming years. Among the findings made by FCMAT are the following:

- The District engaged in deficit spending of \$5.8 million in the unrestricted general fund, according to the 2020-21 unaudited actuals report. (Exh. A, Slide 6.)
- The District engaged in deficit spending of \$9.9 million in 2022-23. (Exh. A, Slide 6.)
- The District is paying for many ongoing expenses with one-time funds, and stands to incur \$26.4 million in ongoing costs after the expiration of the one-time funds. (Exh. A, Slide 6.)

FCMAT’s 71-page “Fiscal and Facilities Review” report (attached as Exhibit B) also made the following recommendation to the District: “When enrollment and related ADA decline, the district must consider the budgetary effects of the decline on student-to-teacher ratios and plan accordingly ... Accurate tracking and analysis of enrollment and ADA can help the district project future revenues and control staffing expenditures to help maintain fiscal solvency.” (Exhibit B, p. 6.) FCMAT also noted that “[t]he COVID-19 pandemic has negatively affected

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[https://go.boarddocs.com/ca/susd/Board.nsf/files/CB8RM96E9DFB/\\$file/FCMAT%20Overview%20of%20Findings%20%26%20Recommendations.pdf](https://go.boarddocs.com/ca/susd/Board.nsf/files/CB8RM96E9DFB/$file/FCMAT%20Overview%20of%20Findings%20%26%20Recommendations.pdf)



*enrollment and ADA statewide, and this is reflected in the district’s significant decline in 2020-21 enrollment and 2021-22 ADA.”*

*Based on the budget projections for the Charter School contained in the Petition, the Charter School projects the following in LCFF income for the five years of the proposed charter term, based on the following projected ADA and enrollment:*

Year	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
LCFF Funding	1,387,608	2,175,633	3,016,212	3,524,823	4,033,964
Enrollment	120	180	240	270	300
ADA (95%)	114	171	228	257	285

*(Petition, pp. 575, 576.)*

*Although the Petitioner claims that it will enroll 50% of its students from outside of SUSD, because of the admissions preference for in-District students, and because of the charter school’s proposed location in Downtown Stockton, it is conceivable that the Charter School could enroll significantly more than 50% of its students from the District. Using the Petitioner’s projected LCFF revenue, the District could stand to lose up to \$14,138,240 in general fund revenues over the five-year period of the charter term, which would force the District to incur more deficit spending and make more cuts.*

**Conclusion**

*AB 1505 amended Education Code §47605(c) to state that an authorizer “shall grant a charter for the operation of a school under this part if it is satisfied that granting the charter is consistent with sound educational practice and with the interests of the community in which the school is proposing to locate. The governing board of the school district shall consider the academic needs of the pupils the school proposes to serve.” (Emphasis Provided)*

*Education Code § 47605(c)(7) allows a district to deny a petition if “[t]he charter school is demonstrably unlikely to serve the interests of the entire community in which the school is proposing to locate. Analysis of this finding shall include consideration of the fiscal impact of the proposed charter school.”*

*Education Code section 47605(c)(5)(G)) requires a charter petition to contain a reasonably comprehensive description of “[t]he means by which the charter school will achieve a balance of racial and ethnic pupils, special education pupils, and English learner pupils, including redesignated fluent English proficient pupils, as defined by the evaluation rubrics in Section 52064.5, that is reflective of the general population residing within the territorial jurisdiction of the school district to which the charter petition is submitted.”*

*The Petition, by design, states as its “racial and socioeconomic diversity demographic goals” to serve a student population with lower percentages of Latino/Hispanic students, African-American students, English Learners, and Socioeconomically Disadvantaged students than served by the District. Staff does not believe that the Charter School’s desired demographic complies with the provisions of the Education Code. For the reasons set forth in this report,*

*Staff recommends that the Board **deny** the Petition and adopt the findings set forth in this report in support of its action.*

\* \* \*

NOW, THEREFORE, BE IT FURTHER RESOLVED AND ORDERED by the Stockton Unified School District Board of Education that the Board [select one]:

Option 1: **Grant** the Petition to form the Unbound Stockton Community School for a term of **July 1, 2023 through June 30, 2028**, to eventually serve 300 students in Grades 4-8.;  
or

Option 2: Deny the Petition to form the Charter School, and adopt this report as its findings in support of denial pursuant to Education Code section 47605(b).

PASSED AND ADOPTED on August 23, 2022, by the Stockton Unified School District by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENCES:

I declare under penalty of perjury that the foregoing resolution was duly passed and adopted on the date and by the vote stated.

\_\_\_\_\_  
Secretary of the STOCKTON UNIFIED SCHOOL DISTRICT  
BOARD OF EDUCATION

# EXHIBIT A





FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM

# Stockton Unified School District Fiscal and Facilities Review

Board Meeting  
February 8, 2022

Presented by:

Diane Branham, FCMAT Chief Analyst

Leigh Coop, FCMAT Consultant

# Fiscal Crisis & Management Assistance Team

- FCMAT was established by Assembly Bill (AB) 1200 in 1992 as a service to assist local educational agencies (LEAs) in complying with fiscal accountability standards.
- FCMAT provides management assistance, fiscal crisis intervention, and numerous other services to LEAs.
- FCMAT is an independent, external agency that is funded through the state budget and a modest fee schedule to requesting agencies.
- Kern County Superintendent of Schools serves as FCMAT's administrative agent.
- FCMAT's reports focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports.

# Scope of Work

- Review the district's 2021-22 adopted general fund budget and use it as a baseline to develop an independent multiyear financial projection (MYFP) for the current and two subsequent fiscal years. The MYFP will be a snapshot in time of the district's current financial status. Make recommendations for expenditure reductions and/or revenue increases to help the district eliminate its structural budget deficit and maintain fiscal solvency.
- Review the district's long-range facilities master plan and projects specified in the 2018 Measure C general obligation bond, evaluate the allocation of resources and completion of projects outlined in these documents, and make recommendations for improvements, if any.

# Overview of Findings & Recommendations

# Multiyear Financial Projections

- Required by AB 1200 and AB 2756
- Part of the adoption budget and interim reports
  - Produce accurately and timely with most current fiscal information available
  - Update before any significant decisions are made that affect the budget
- Projection of revenues and expenditures for the current and two subsequent fiscal years
  - Financial snapshot in time
- District's primary objectives
  - Achieve and sustain a balanced budget
  - Improve academic achievement
  - Maintain local governance
- FCMAT's projection
  - Includes information from the 2021-22 adopted state budget



# Budget and Multiyear Financial Projections

- District's 2020-21 unaudited actuals report shows deficit spending of \$5.8 million in the unrestricted general fund.
- MYFP developed by FCMAT also indicates deficit spending of \$9.9 million in 2022-23.
- The district is paying for many ongoing expenses, including salaries and benefits, with one-time funds.
  - Estimated ongoing costs, beginning in 2024-25 after the one-time funds expire, is \$26.3 million per year.
  - Numerous other items, which may also be ongoing, are included in the district's Elementary and Secondary School Emergency Relief (ESSER) III Plan but are not included in this estimate because their cost is unknown.

# Budget and Multiyear Financial Projections

- One-time funding, such as that provided by the state in prior years and federal and state COVID-19 relief funds, can temporarily mask an ongoing operational deficit.
- FCMAT strongly recommends that the district track ongoing commitments and monitor ending balances for new programs and one-time resources to ensure they do not result in an ongoing structural deficit.

# Budget and Multiyear Financial Projections

- Anticipate fiscal challenges related to issues such as the following, which will require the governing board and administration to continue to make and implement difficult decisions to ensure that the district does not deficit spend and become fiscally insolvent:
  - Declining student enrollment and average daily attendance.
  - Potential increases in costs for health and welfare benefits.
  - Increased employer contributions for pension plans.
- Given the COVID-19 pandemic's uncertainties, the continuing changes being made to address it, and resulting ongoing economic impacts, the district must be prepared for possible additional financial issues that extend beyond 2021-22.

# Budget and Multiyear Financial Projections

- At the time of FCMAT's fieldwork, there had been significant employee turnover and the elimination of some management positions in the Business Services Department.
  - Lack of historical institutional knowledge about the district's 2021-22 budget development and 2020-21 financial closing processes.
  - Key budget management personnel had been in their positions for only a brief time.
  - The district does not use the same financial software system as the county office of education, so staff are not able to ask the county office for assistance and training needed to readily access key financial reports.
- These factors make analysis of the district's budget and MYFP laborious and inefficient.

# Budget and Multiyear Financial Projections

- The 2021-22 state budget increased the Local Control Funding Formula concentration grant from 50% to 65% of base LCFF funding.
  - The additional 15% is to be used to increase the number of staff who provide direct services to students.
- Beginning in 2021-22, if the quantitative and qualitative increases and improvements in services are insufficient to meet the prior year minimum proportionality percentage (MPP), any unused portion of supplemental and concentration grant funds must be designated and spent on specific actions to meet the MPP.
  - It is important for the district to identify its core programs so that it can properly track the use of supplemental and concentration grant funds.

# Budget and Multiyear Financial Projections

## *Recommendations*

- Adopt a budget and MYFPs that identify deficit spending and meet reserve requirements in the budget and projection years to prevent fiscal insolvency.
- Cease using one-time funds for ongoing costs, or have a board-approved plan to fund such ongoing costs or eliminate them when the one-time funds are no longer available.
- Plan and budget for expenses that are not eliminated and that thus need to have other funding sources when one-time funding ends.
- Not use one-time funds to provide ongoing increases in salaries or benefits.

# Budget and Multiyear Financial Projections

## *Recommendations*

- Regularly evaluate external and internal factors that affect its fiscal health, and use an MYFP to project their effect on the district.
- Monitor and project revenue and expenditures using the most current information and assumptions available.
- Ensure that it adopts expenditure plans and submits the legal assurances for federal COVID funds as required.
- Ensure that it is aware of and adheres to the various funding application and expenditure deadlines for COVID funds.
- Ensure that facility rents and leases, central office service fees, and oversight fees are collected from charter schools. Work with the charter schools to recoup all applicable fees for 2020-21.

# Budget and Multiyear Financial Projections

## *Recommendations*

- Train employees in its financial software system, thereby allowing the district to more readily make data-driven decisions, analyze its budget, and increase accuracy and efficiency.
- Train and cross train staff in its budget development and closing processes.
- Analyze and monitor all its other funds to ensure they are self sustaining, unless the governing board has made a decision to provide a contribution to a specific fund.
- Consult with the firm that prepared its developer fee studies, and/or the district's legal counsel, to determine if developer fees may be used for deferred maintenance.



# 2018 Measure C

- The district has implemented a complex multiyear, multifund facilities program.
- Several general obligation bonds have passed since 2005.
  - Provided millions of dollars for facilities projects.
- Most recent Proposition 39 bond, Measure C, passed in 2018.
- Although required for Proposition 39 bond measures, the district does not have a citizens' bond oversight committee (CBOC).

# 2018 Measure C

- The district does not have a long-range facilities master plan.
- March 2008 Implementation Plan is outdated.
- Program planning, plan implementation, budget and expenditure tracking, cash flow analyses, and compliance with a myriad of laws, regulations and policies are complex and important tasks.
- At the time of FCMAT's fieldwork, there had been significant employee turnover and the elimination of some management positions in the Facilities and Planning Department.
  - Lack of historical institutional knowledge about the Measure C Program.
  - Director of facilities and planning/transportation had been with the district for only about two months.

# 2018 Measure C

- The district does not have a mechanism for budgeting and tracking each bond project from planning through closeout.
  - No ongoing and comprehensive reports that show all projects, budgets, commitments, expenditures, the remaining balance for each project, and cash flow projections.
- Lack of information makes it impossible to complete a comprehensive review and analysis of the Measure C Program.
- Misconception about the need for board approval or ratification of contracts.
  - Misunderstanding that contracts do not have to be approved or ratified by the board.

# 2018 Measure C

## *Recommendations*

- Develop a comprehensive long-range facilities master plan that covers 10 years.
- Develop a long-range and short-term implementation plan.
- Immediately develop a master program budget, a programwide budget and expenditure report, and individual project budget and expenditure reports for Measure C and all other active projects.
  - Assign an employee in the Facilities and Planning Department to update these documents monthly, and ensure other employees are cross trained to maintain and update the reports.
- Provide frequent and more detailed board presentations of the Measure C Program.

# 2018 Measure C

## *Recommendations*

- Ensure that cash is available to pay for all active projects.
  - Complete monthly cash flow projections that include all funding sources used for facilities projects. Ensure that the projections are updated monthly and include prior months' actuals and estimated monthly projections for the term of the program.
- Actively recruit members and form a CBOC for Measure C as soon as possible.
- Update the district website to include a link for Measure C, and post all CBOC meeting agendas, minutes and reports on that webpage.
- Conduct annual, independent performance and financial audits for Measure C as required, and post them to its website.

# 2018 Measure C

## *Recommendations*

- Reduce the number of departments the director of facilities and planning/transportation oversees and/or is helping to oversee.
- Ensure the Facilities and Planning Department is adequately staffed with qualified, experienced individuals.
- Comply with Board Resolution No. 21-06 and Education Code Section 17604 by obtaining board approval or ratification of every contract.
  - Work with the district's legal counsel to determine if any prior contracts need to be presented to the board for ratification.

**Questions ?**

**Thank you!**

## EXHIBIT B





## Fiscal and Facilities Review

January 25, 2022

### Budget

Amount	Details	Month	Amount
4,500	Mid Year Bonus	June	2,000
2,500	Year End Bonus	December	3,000
		January	5,000

Expenditure	Month	Amount
November vacation	November	450
Home for the holidays	December	600
Gifts for family	December	600
Family vacation	July	300
	January	880
	January	
	January	
	January	
Total Planned Expenses	January	

Annual Budget by Month	April	May	June
	9,915	13,220	16,000
		7,000	7,000
		0	0

## Stockton Unified School District

Michael H. Fine  
Chief Executive Officer



January 25, 2022

John Ramirez, Jr., Superintendent  
Stockton Unified School District  
701 North Madison Street  
Stockton, CA 95202

Dear Superintendent Ramirez:

In March 2021, the Stockton Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a review of the district's budget and some facilities projects. The agreement states that FCMAT would perform the following:

1. Review the district's 2021-22 adopted general fund budget and use it as a baseline to develop an independent multiyear financial projection (MYFP) for the current and two subsequent fiscal years. The MYFP will be a snapshot in time of the district's current financial status. Make recommendations for expenditure reductions and/or revenue increases to help the district eliminate its structural budget deficit and maintain fiscal solvency.
2. Review the district's long-range facilities master plan and projects specified in the 2018 Measure C general obligation bond, evaluate the allocation of resources and completion of projects outlined in these documents, and make recommendations for improvements, if any.

This final report contains the study team's findings and recommendations.

FCMAT appreciates the opportunity to serve the Stockton Unified School District and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,

A handwritten signature in black ink that reads 'Michael H. Fine'.

Michael H. Fine  
Chief Executive Officer

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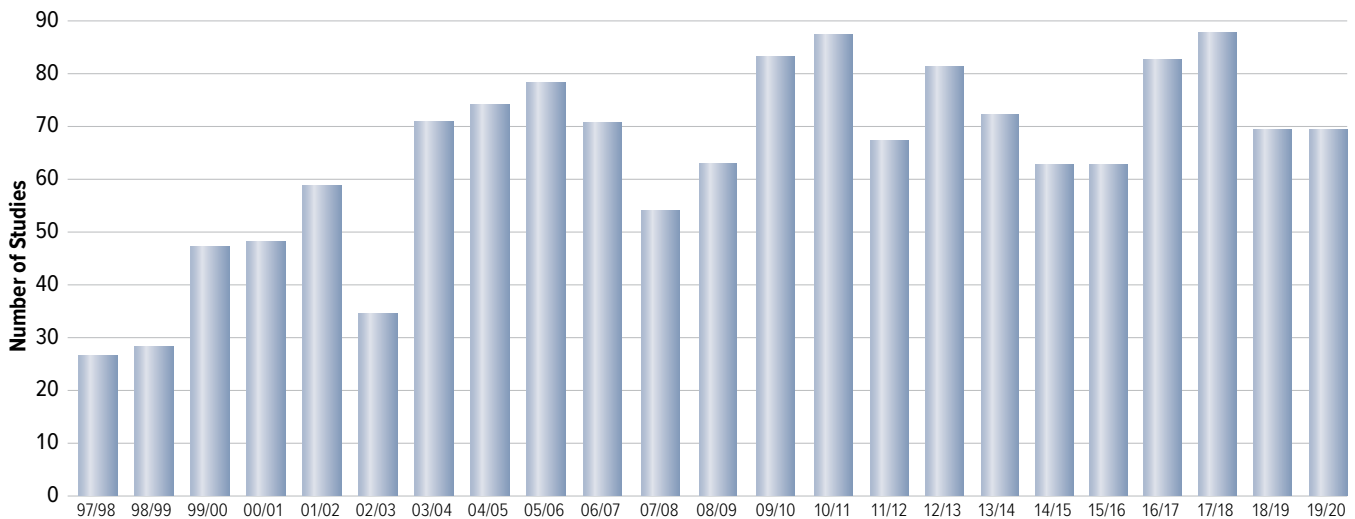
# About FCMAT

FCMAT’s primary mission is to assist California’s local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT’s fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices, support the training and development of chief business officials and help to create efficient organizational operations. FCMAT’s data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and inform instructional program decisions.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state superintendent of public instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the LEA to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.

### Studies by Fiscal Year



FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms. FCMAT also develops and provides numerous publications, software tools, workshops and professional learning opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website ([www.ed-data.org](http://www.ed-data.org)) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS’ mission.

AB 1200 is also a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. AB 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, Senate Bill 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT's services to those types of LEAs.

On September 17, 2018 AB 1840 was signed into law. This legislation changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting the former state-centric system to be more consistent with the principles of local control, and providing new responsibilities to FCMAT associated with the process.

Since 1992, FCMAT has been engaged to perform more than 1,400 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

# Introduction

## Background

Located in San Joaquin County, the Stockton Unified School District has a seven-member governing board and serves approximately 34,320 students at 49 schools. The district has also authorized five district-operated charter schools and 13 independent charter schools. According to data from the California Department of Education (CDE), student enrollment peaked at 35,258 in 2017-18 and remained relatively stable each year since that time until 2020-21, when enrollment decreased to 33,943 during the COVID-19 pandemic. The district's California Longitudinal Pupil Achievement Data System (CALPADS) records indicate that its 2021-22 unduplicated pupil count of students who qualify for free or reduced price meals, are foster youth, or are English learners, was 28,878, or 84.14% of enrollment.

## Study and Report Guidelines

In March 2021, the Stockton Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to provide management assistance by conducting a review of the district's budget and some facilities projects.

FCMAT visited the district on September 20-24, 2021 to conduct interviews, collect data and begin reviewing documents. Following fieldwork, FCMAT continued to receive, review and analyze documents. This report is the result of those activities.

FCMAT's reports focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports. In writing its reports, FCMAT uses the Associated Press Stylebook, a comprehensive guide to usage and accepted style that emphasizes conciseness and clarity. In addition, this guide emphasizes plain language, discourages the use of jargon and capitalizes relatively few terms.

## Study Team

The study team was composed of the following members:

Diane Branham  
FCMAT Chief Analyst

Debbie Riedmiller, CFE  
FCMAT Intervention Specialist

Colleen Patterson, MBA, CMA  
FCMAT Consultant

Leigh Coop  
FCMAT Consultant

John Lotze  
FCMAT Technical Writer

Each team member reviewed the draft report to confirm accuracy and achieve consensus on the final recommendations.



# Executive Summary

Financial planning is crucial for every local educational agency (LEA) and helps a district strategically align its budget with its instructional goals, programs and the Local Control and Accountability Plan (LCAP). Recognizing financial trends is essential to maintaining a district's fiscal health, and monitoring and analyzing year-to-year trends in key budget areas helps a district evaluate its budget direction and highlight possible areas of concern.

Given the COVID-19 pandemic's uncertainties, the continuing changes being made to address it, and resulting ongoing economic impacts, LEAs must be prepared for possible additional financial issues that extend beyond 2021-22. Regular and frequent budget monitoring becomes even more important in times of fiscal uncertainty. Multiyear financial projections (MYFPs) can become somewhat less reliable in a time of fiscal instability, particularly for the subsequent fiscal years, because projected revenues from the state and federal government, and their related expenditures, may frequently change. Nonetheless, the district will need to ensure that multiyear financial and cash flow projections are kept up to date and that the information they contain is accurate and based on the most current budget assumptions available.

One-time funding, such as that provided by the state in prior years and federal and state COVID-19 relief funds, can temporarily mask an ongoing operational deficit. Maintaining fiscal solvency while maximizing services to students with available financial resources will be a continuing challenge for LEAs and their governing boards, which have a fiduciary duty to ensure solvency.

At the time of FCMAT's fieldwork, there had been significant employee turnover and the elimination of some management positions in the Business Services Department. Key budget management personnel had been in their positions for only a brief time; therefore, there was a lack of historical institutional knowledge about the district's 2021-22 budget development and 2020-21 financial closing processes. The district does not use the same financial software system as the county office of education, so staff who are unfamiliar with the district's system are not able to ask the county office for the assistance and training needed to readily access key financial reports needed for efficient budget analysis. These factors make analysis of the district's budget and MYFP laborious and inefficient. It would benefit the district to build capacity by training and cross training staff in the budget development and closing processes and in the use of its financial software system.

The district's 2020-21 unaudited actuals report shows deficit spending of \$5.8 million in the unrestricted general fund, and the MYFP developed by FCMAT indicates deficit spending of \$9.9 million in 2022-23. However, the district has moved many ongoing expenses, including salaries and benefits, into one-time funds.

In interviews, district personnel indicated that the Assembly Bill (AB) 86 Expanded Learning Opportunities Grant Plan will be ongoing; however, the income is one-time. Information from interviews also indicated that the funding for positions currently paid from the Elementary and Secondary School Emergency Relief (ESSER) funds will shift to the unrestricted general fund and/or other ongoing funding sources, or will be eliminated when ESSER funds are no longer available. Some positions charged to the ESSER funds appear to be essential to the organization, and they will likely need to continue when these one-time funds are no longer available. In addition, components of the ESSER III Plan include items that are not in the district's budget but that should be added to the ongoing cost of that plan. Based on the information and documents provided by the district, FCMAT's estimated ongoing costs of these plans, beginning in 2024-25 after the one-time funds expire, is \$26.3 million per year. Numerous other items, which may also be ongoing, are included in the ESSER III Plan, but their cost is unknown; therefore, they are not included in FCMAT's estimate. FCMAT strongly recommends that the district track ongoing commitments and monitor ending



balances for these one-time resources to ensure they do not result in an ongoing structural deficit. The district should not use one-time funds for ongoing costs unless it has a board-approved plan to fund such ongoing costs or eliminate them when the one-time funds are no longer available.

The district should anticipate fiscal challenges related to issues such as declining student enrollment and average daily attendance, potential increases in costs for health and welfare benefits, and increased employer contributions for pension plans. Challenges such as these will require the governing board and administration to continue making and implementing difficult decisions to ensure that the district does not deficit spend and become fiscally insolvent.

The 2021-22 state budget increased the Local Control Funding Formula (LCFF) concentration grant from 50% to 65% of base LCFF funding. The additional 15% is to be used to increase the number of credentialed and/or classified staff who provide direct services to students. Also, beginning in 2021-22, if the quantitative and qualitative increases and improvements in services are insufficient to meet the prior-year minimum proportionality percentage (MPP), any unused portion of supplemental and concentration grant funds must be designated and spent on specific actions to meet the MPP. Therefore, it will be important for the district to identify its core programs so that it can properly track the use of supplemental and concentration grant funds.

The district has implemented a complex multiyear, multifund facilities program since 2005, when voters approved its first Proposition 39 general obligation bond. Several general obligation bonds have passed since that time, which have provided millions of dollars of funding for facilities projects. The district's most recent Proposition 39 bond, Measure C, passed in 2018.

The district does not have a long-range facilities master plan, and its March 2008 Implementation Plan is outdated. The district should develop a comprehensive long-range facilities master plan to help it develop and meet the goals of its facilities program, help provide justification for how projects are selected and funded, and help avoid last-minute changes after projects have been selected. It would also benefit the district to develop a current long-range and a current short-term implementation plan.

Program planning, plan implementation, budget and expenditure tracking, cash flow analyses, and compliance with a myriad of laws, regulations and policies are complex and important tasks. At the time of FCMAT's fieldwork, there had been significant employee turnover and the elimination of some management positions in the Facilities and Planning Department, and the director of facilities and planning/transportation had been with the district only for approximately two months. Therefore, there was a lack of historical institutional knowledge about the Measure C Program.

The district does not appear to have a mechanism for budgeting and tracking each bond project from planning through closeout. FCMAT was not provided with ongoing and comprehensive reports that show all projects, budgets, commitments, expenditures, the remaining balance for each project, and cash flow projections. This lack of information makes it impossible to complete a comprehensive review and analysis of the Measure C Program. The district should immediately develop a master program budget, a program-wide budget and expenditure report, and individual project budget and expenditure reports for Measure C and all other active projects. An employee in the Facilities and Planning Department should be assigned to update these documents monthly, and the district should ensure other employees are cross trained to maintain and update the reports.

Although it is required for Proposition 39 bond measures, the district does not have a citizens' bond oversight committee (CBOC), and FCMAT saw no evidence of active recruitment for committee members other than a posting for volunteers on the Facilities and Planning Department link of the district's website. The district should actively recruit members and form a CBOC; it should update its website to include a link for Measure C and post all CBOC meeting agendas, minutes and reports on that web page. The district should

also conduct performance and financial audits for 2018 Measure C, as required, and post them to its website.

Information from interviews revealed a misconception about the need for board approval or ratification of contracts, specifically a misunderstanding that contracts do not have to be approved or ratified by the board. According to Board Resolution No. 21-06 and Education Code Section 17604, contracts are neither valid nor an enforceable obligation against the district unless and until they have been approved or ratified by the governing board. The district should ensure it complies with these requirements.

# Findings and Recommendations

## Assembly Bill (AB) 1200 Oversight

If at any time during the fiscal year a district may be unable to meet its financial obligations for the current or two subsequent fiscal years, or has a qualified or negative budget certification, the county superintendent of schools is required to notify the district's governing board and the state Superintendent of Public Instruction (SPI). The county superintendent is required to follow Education Code Section 42127.6 when assisting a school district in this situation, and to take all actions necessary to ensure the district meets its financial obligations. Assistance includes steps such as assigning a fiscal expert or fiscal advisor to advise the district on financial issues, conducting a study of the district's financial and budget conditions, and requiring the district to submit a proposal to address its fiscal condition.

The district's 2020-21 and 2021-22 budget and 2020-21 interim report review letters from the county office of education caution the district about ongoing projected deficit spending in its unrestricted general fund. The September 15, 2021 letter from the county office states the following:

Although the District currently has unrestricted undesignated reserves to meet the required minimum, the District continues to project unrestricted deficit spending in the current and the two subsequent fiscal years. Therefore, we strongly caution the District to avoid multiyear commitments (on-going costs) that could impact the financial stability of the District. Additionally, we note that the deficit reduction was in part due to position eliminations. If any of these positions are restored using one-time funding sources, we remind the district to plan early for how it will fund those positions when the funds are exhausted or expire.

The district's 2020-21 unaudited actuals report shows deficit spending of \$5.8 million in the unrestricted general fund, and its 2021-22 adopted budget projects deficit spending of \$3.6 million in 2021-22, \$8.0 million in 2022-23 and \$1.6 million in 2023-24.

Regular and frequent budget monitoring becomes even more critical in times of fiscal uncertainty. The district will need to ensure that multiyear financial and cash flow projections are kept up to date and that the information they contain is accurate and based on the most current budget assumptions available.

## Recommendation

*The district should:*

1. Adopt a budget and MYFPs that include a reserve level sufficient to ensure that cash is available to meet payroll and other expenditure obligations and to avoid any adverse effects related to the requirements of AB 1200 and AB 2756 (see the Budget and Multiyear Financial Projections section of this report).

# Budget and Multiyear Financial Projections

Multiyear financial projections (MYFPs) are required by AB 1200 and AB 2756 and are a part of the adoption budget and interim reporting process. Assembly Bill 2756 was signed into law in June 2004 and made substantive changes to the financial accountability and oversight used to monitor the fiscal position of school districts. Among other things, AB 2756 strengthened the roles of the SPI and county offices of education and their ability to intervene during fiscal crises. In the case of a district that does not meet its required reserve levels, the intent of the MYFP is also to help the county office and the district formulate a plan to regain fiscal solvency and restore the reserve.

Multiyear financial projections help local educational agencies (LEAs) make more informed decisions and project the future effects of current decisions. Projections are a required part of annual budget development and must be evaluated and updated during each interim financial reporting period. They should also be updated before any significant decisions are made that affect the budget, such as salary and benefit increases. In developing and implementing its MYFPs, a district's main objectives are to achieve and sustain a balanced budget, improve academic achievement and maintain local governance. The MYFP helps identify specific planning milestones that will help the district make decisions.

Financial planning is crucial for every LEA, regardless of its size or structure. Long-term financial planning helps a district strategically align its budget with its instructional goals and programs. In addition, recognizing financial trends is essential to maintaining a district's fiscal health. Monitoring and analyzing year-to-year trends in key budget areas helps a district evaluate its budget priorities and direction and highlight possible areas of concern.

Any projection of financial data has inherent limitations because calculations are based on certain economic assumptions and criteria, including changes in enrollment trends; cost-of-living adjustments; estimates for utilities, supplies and equipment; and changing economic conditions at the state, federal and local levels. Therefore, the budget projection should be viewed and evaluated as a trend based on certain criteria and assumptions rather than as a prediction of exact numbers.

Local educational agencies statewide had to update their multiyear assumptions and projections several times during the 2020-21 and 2021-22 budget adoption processes because of the impacts of COVID-19 on the state and federal economy and the subsequent one-time funds to support LEAs and student learning. Multiyear projections can become somewhat less reliable in a time of fiscal instability, especially for the subsequent fiscal years, because projected revenues from the state and federal government, and their related expenditures, may frequently change. However, the MYFP still provides guidance for decisions that affect multiple fiscal years, and the district must continue to update and reassess the ramifications of government-imposed budget adjustments, board-adopted plans, and collective bargaining proposals.

Although the MYFP developed for this report indicates deficit spending of \$9.9 million in the unrestricted general fund in 2022-23 and an increased fund balance of \$8.1 million in 2023-24, the district has moved many ongoing expenses into one-time funds, including approximately \$13.6 million in ongoing salaries and benefits and employee vacancies in place before the adoption of the Elementary and Secondary School Emergency Relief (ESSER) III Plan on October 26, 2021. The district's unrestricted general fund ending balance is projected to decline from \$169.4 million (31.1%) in 2021-22 to \$159.5 million (24.4%) in 2022-23, and increase to \$167.7 million (26.4%) in 2023-24. The district's 2021-22 adopted budget identifies several "substantiated needs" for the fund balance, including \$1.3 million each year as a reserve for lottery carry-over, \$10.3 million per year for ESSER funded positions, \$2.0 million per year for AB 86 (Expanded Learning Opportunities Grant) funded positions, and \$92.2 million in 2021-22, \$79.7 million in 2022-23 and \$84.3 million in 2023-24 for capital facility project planning.

The district should anticipate fiscal challenges related to issues such as declining student enrollment and average daily attendance (ADA), potential increases in costs for health and welfare benefits, and increased employer contributions for pension plans, which will require the governing board and administration to continue to make and implement difficult decisions to ensure the district does not deficit spend.

FCMAT strongly recommends that the district track ongoing commitments and monitor ending balances for new programs, particularly those that are exceeding plan estimates and do not have ongoing funding sources, and for one-time resources to ensure they do not result in an ongoing structural deficit.

## Enrollment and Average Daily Attendance

Accurate enrollment tracking and analysis of ADA are essential to providing a solid foundation for budget planning. Because the district's primary funding is based on the total number of student attendance days, monitoring and projecting student enrollment and attendance is a crucial function and should be done at a minimum at each reporting period to ensure the most recent data is included in budget assumptions. When enrollment and related ADA decline, the district must consider the budgetary effects of the decline on student-to-teacher ratios and plan accordingly. To ensure fiscal solvency, the district must also exercise extreme caution regarding issues such as negotiations, staffing and deficit spending. Accurate tracking and analysis of enrollment and ADA can help the district project future revenues and control staffing expenditures to help maintain fiscal solvency.

The study team reviewed county birth rate statistics and used FCMAT's Projection-Pro software to prepare enrollment, ADA and unduplicated pupil count projections for the current and two subsequent years. The Projection-Pro software uses the cohort survival method, which groups students by grade level upon entry and tracks them through each year that they stay in school. This method evaluates the longitudinal relationship of the number of students who pass from one grade to the next in a subsequent year.

The study team reviewed the district's enrollment and ADA trends for 2016-17 through 2020-21. The review compared October CALPADS student enrollment counts, as reported by the CDE, to the second period principal apportionment (P-2) ADA to determine the average ADA-to-enrollment ratios. The COVID-19 pandemic has negatively affected enrollment and ADA statewide, and this is reflected in the district's significant decline in 2020-21 enrollment and 2021-22 ADA.

Average daily attendance is used to calculate the district's LCFF and many other federal and state revenue sources. District LCFF apportionments are based on the greater of current or prior year P-2 ADA. Because of the COVID-19 pandemic, the state provided a one-time hold harmless on ADA, which allowed the use of 2019-20 ADA as a proxy for 2020-21. The use of this ADA proxy caused the district's ADA-to-enrollment ratio to be higher than average in 2020-21 (97.02%). However, documents provided by the district indicate that, as of September 2021, the 2021-22 ratio was 86.96%, a dramatic decrease compared to prior years. This was reportedly due to COVID-19 related absences and the struggle to provide an independent study option to hundreds of students as required by the state.

The following table shows the district's historical enrollment, projected enrollment using the cohort survival method, historical and projected P-2 ADA, and ADA-to-enrollment ratio for each year.

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 Projected*	2022-23 Projected	2023-24 Projected
Enrollment	35,240	35,258	35,255	35,242	33,943	34,320	33,972	33,435
ADA	33,087.54	33,029.36	33,055.66	32,922.90	32,932.46	29,845.02	31,328.76	30,842.35
ADA to Enrollment %	93.89%	93.68%	93.76%	93.42%	97.02%	86.96%	92.22%	92.25%

\*Sources – District's 2021-22 uncertified CALPADS reports and ADA percentages as of September 2021.

## Multiyear Financial Projection Assumptions

Local educational agencies use many different software products to prepare MYFPs. For the district's MYFP, FCMAT used its Projection-Pro web-based MYFP software, which was designed for California school districts and is available to LEAs free of charge.

The MYFP prepared by FCMAT uses the district's 2021-22 adopted budget report as the baseline and includes the impact of the 2021-22 adopted state budget. The study team reviewed district records, interviewed staff members, and examined financial documents to gather information to verify the base year (2021-22) and prepare the MYFP.

Key planning factors and budget assumptions used by FCMAT to prepare the MYFP are based on the latest information available at the time the projection was completed, as shown in the following table, and are further described in the paragraphs below.

Planning Factor	2021-22	2022-23	2023-24
Statutory COLA (Department of Finance)	1.70%	2.48%	3.11%
LCFF COLA	5.07%	2.48%	3.11%
State Categorical COLA	1.70%	2.48%	3.11%
Special Education COLA	4.05%	2.48%	3.11%
California Consumer Price Index (CPI)	3.96%	2.65%	2.36%
Interest Rate for 10-Year Treasuries	2.14%	2.60%	2.70%
California Lottery, Unrestricted per ADA	\$163.00	\$163.00	\$163.00
California Lottery, Restricted per ADA (Prop 20)	\$65.00	\$65.00	\$65.00
Mandate Block Grant, District (K-8), per ADA	\$32.79	\$33.60	\$34.64
Mandate Block Grant, District (9-12), per ADA	\$63.17	\$64.74	\$66.75
CalPERS Employer Rate	22.91%	26.10%	27.10%
CalSTRS Employer Rate	16.92%	19.10%	19.10%
Step and Column, Certificated	1.30%	1.54%	1.54%
Step, Classified	1.30%	1.72%	1.72%
Health and Welfare Benefits	3.25%	5.90%	5.90%
State Unemployment Insurance	.50%	.50%	.20%
Indirect Cost Rate	4.35%	4.62%	4.62%

Sources: School Services of California (SSC) 2021-22 Enacted State Budget Dashboard, CDE, district records.

## Revenues

Projected revenue was based on validation of funding from the CDE, School Services of California (SSC), grant letters, and analysis of district estimates for any sources that could not be verified independently. Adjustments were made for any one-time funds or carryover from previous years.

## Local Control Funding Formula Sources

The LCFF is the funding model for school district and charter school operational funding. It was implemented beginning with the 2013-14 fiscal year and replaced the former revenue limit calculation and Charter School Block Grant state apportionment distribution methodologies. The LCFF provides the following:

- A base per-pupil grant that varies by grade level.



- Supplemental funding that provides an additional 20% of the base grant multiplied by the district's percentage of disadvantaged pupils (the unduplicated count of low-income students, English learners, and foster youth).
- A concentration grant that provides an additional 65% (formerly 50%) of the base grant, multiplied by the district's percentage of disadvantaged pupils that exceeds 55% of total enrollment.

Districts must increase or improve services to unduplicated pupils by the proportion of supplemental and concentration funds to base funds that they receive. This is known as the minimum proportionality percentage (MPP). Beginning in 2021-22, if the quantitative and qualitative increases and improvements in services are insufficient to meet the prior-year MPP, any unused portion of supplemental and concentration grant funds must be designated and spent on specific actions to meet the MPP.

Although many state categorical programs were eliminated with the establishment of the LCFF, the associated monies were moved to fund the LCFF. Full implementation of the LCFF was expected to take eight years, with districts receiving a proportionate level of funding (referred to as gap funding) during implementation. However, full implementation was achieved in 2018-19, two years earlier than anticipated, with all LEAs receiving their target allocation. After full implementation, LCFF funding is expected to be increased by the cost of living adjustment (COLA) only, calculated with other variable factors, such as changes in attendance and in unduplicated pupil counts.

For most districts, including Stockton Unified, the LCFF entitlement is funded through a combination of local property taxes and state aid. A district's local property tax will be applied first toward the total LCFF entitlement, and the balance is funded through state aid. Proposition 30, passed in 2012, temporarily added a quarter-cent sales tax and increased state income tax rates on high income taxpayers. The sales tax increase expired in 2016; the income tax increase was initially set to expire in 2018, but Proposition 55 extended it through 2030. These revenues are deposited in the state's Education Protection Account (EPA) and are a component of state aid for the LCFF entitlement. Districts are encouraged to use the FCMAT LCFF Calculator to estimate LCFF funding.

The COVID-19 pandemic did not have the severe negative effects on 2020-21 state revenues that were anticipated at the beginning of the pandemic, and state revenues recovered more quickly than expected. The 2021-22 enacted state budget provided a COLA of 5.07% on LCFF base grants, and increased the concentration grant from 50% to 65%. The additional 15% is to be used to increase the number of credentialed and/or classified staff who provide direct services to students. Many new one-time and ongoing categorical programs were created, with various qualification criteria, reporting requirements and expenditure deadlines. In addition, the cash deferrals of principal apportionment payments that began in June 2020 were eliminated, and all prior year deferrals were repaid by August 2021.

When completing its 2021-22 adopted budget, the district used a spreadsheet provided by the county office to project LCFF revenues for 2021-22 and subsequent years. In completing its analysis, FCMAT used the adopted budget version of its LCFF calculator (updated August 23, 2021). FCMAT projected slightly higher ADA and UPP values for 2021-22 and slightly lower ADA and slightly higher UPP values in subsequent years than the district projected. This, coupled with the increased concentration grant factor of 65% used by FCMAT, resulted in an increase of approximately \$14.3 million in LCFF revenues in 2021-22. FCMAT's projections of LCFF revenues are approximately \$6.7 million higher in 2022-23 and \$8.0 million higher in 2023-24 than those the district shows on its adopted budget Form MYP.

	2021-22		2022-23		2023-24	
	District	FCMAT	District	FCMAT	District	FCMAT
COLA	5.07%	5.07%	2.48%	2.48%	3.11%	3.11%
Funded ADA	33,008.39	33,012.46	32,069.70	31,415.85	32,069.70	31,415.85
UPP	82.47%	83.27%	82.38%	83.61%	81.75%	83.40%
LCFF Revenues	\$396,264,285	\$410,555,408	\$396,276,332	\$402,984,258	\$406,688,406	\$414,655,299

Sources: District LCFF Calculator, District 2021-22 Adopted Budget, FCMAT LCFF Calculator.

## Federal Revenue

FCMAT requested but did not receive district documents for all funding sources, so the team made assumptions regarding revenues based on information found on the CDE website, analysis of prior year receipts, and district budget amounts. Federal funding amounts were reviewed, verified when possible, and adjusted as appropriate in the base year. According to a list provided by the district, the only one-time revenues included in the budget are the COVID relief funds. Except for these one-time revenues and carryover amounts, FCMAT assumed unchanged funding levels for federal programs, with no COLA in 2022-23 and 2023-24. FCMAT increased federal revenues by a total of \$67.5 million in 2021-22.

Revenues were increased by \$3.3 million in 2021-22 to match budget amounts to award letters and to adjust some budgeted revenues to actual amounts received to date or to align with prior year receipts, including \$1.8 million for the Comprehensive Support and Improvement (CSI) program, which FCMAT assumes the district will apply and qualify for in the subsequent years of the projection. An increase of \$13.4 million was made in 2021-22 to account for carryover or unearned revenues from prior year grants including \$7.9 million in Title I revenues, \$3.0 million in CSI revenues, and \$1.6 million in Title III English Learner revenues. Smaller increases or decreases were made to various other programs. Carryover and unearned revenues included in the 2021-22 budget were eliminated from FCMAT's projection in the subsequent years.

An increase of \$38.0 million was made to the 2021-22 budget to align budget amounts with federal COVID-19 relief fund entitlements and to adjust for prior year carryover. Federal revenues were further increased by \$12.8 million for new COVID-19 relief funds awarded in 2021-22. Some COVID-19 funds previously identified as state revenues were reclassified as federal revenues. Some revenue sources included in FCMAT's projection require the district to apply for funds, submit legal assurances, and/or adopt expenditure plans. The district had not filed the required assurances for the ESSER II Expanded Learning Opportunities Grant as of November 24, 2021. The numerous sources of COVID-19 relief funds have various expenditure deadlines ranging from September 30, 2022 to September 30, 2024. Revenues were included in FCMAT's projection if they were known; however, if the district did not provide FCMAT with an expenditure plan, expenditures were not included and the funds were left in the restricted ending fund balance. One-time and carryover federal COVID-19 relief funds of \$236.4 million were eliminated from the projection in 2022-23.

FCMAT reviewed the district's accounts receivable and unearned revenue balances to determine whether the district was clearing these balance sheet accounts each year in a timely manner. Unearned revenues were cleared each year; however, receivable balances have not been cleared each year. For example, Resource 3310, Special Education Local Assistance, had a 2021-22 accounts receivable beginning balance of \$15,403,636, which is approximately double the entitlement for one year. The 2018-19 entitlement was paid in 2019-20, the 2019-20 entitlement was paid in 2020-21, and the receivable set up in 2020-21 was \$1,171,620 more than the 2020-21 entitlement. The district needs to review balance sheet accounts monthly, analyze the validity of the balances, and make clearing entries as needed. If it determines that adjustments



are needed to correct the accounts receivable balances, the adjustments may have a negative effect on revenues.

## Other State Revenue

FCMAT requested but did not receive district documentation for all funding sources, so the team made some assumptions regarding revenues based on information found on the CDE website, analysis of prior year receipts, and district budget amounts. State grant award amounts for 2021-22 were confirmed when possible and carried forward to 2022-23 and 2023-24, with COLA applied to select revenues. Increases totaling approximately \$14.6 million were made to the 2021-22 state revenues.

State revenues were increased in 2021-22 by \$5.7 million to match budget amounts to award notifications and to adjust some revenues to actual amounts received to date or to align with prior year receipts. Included is \$1.1 million for the Career Technical Education Incentive Grant (CTEIG) Program, \$703,000 for the Strong Workforce Program, \$3.1 million for special education, and \$692,000 for the Classified School Employee Summer Assistance Program. Smaller increases or decreases were made to various other programs. Absent information from the district, FCMAT's projection assumes that the district will apply and qualify for continuing funding for the CTEIG program, the Classified School Employee Summer Assistance Program, the After School Education and Safety (ASES) Program, the California Learning Communities for School Success Program, and all other applicable programs.

Carryover revenues of \$3.3 million were added to the 2021-22 budget, including \$2.0 million for the ASES Program, \$0.9 million for the CTEIG program, and smaller amounts in other programs. These carryover revenues were eliminated from the subsequent years of the projection.

Revenues were increased by \$536,776 for the Classified School Employee Summer Assistance Program. At the close of 2020-21, the district made a contribution from the unrestricted general fund to the program instead of recording a receivable. FCMAT included the 2020-21 funds in its 2021-22 projection, and the projection includes repayment of the contribution to the unrestricted resource.

The 2021-22 revenue projection was increased by \$17.9 million for the new Expanded Learning Opportunities Program, which is assumed to be ongoing. A reduction of \$27.9 million to prior year carryover of state COVID-19 relief funds was made to align the budget to actual award amounts. Some COVID-19 funds previously identified as state revenues were reclassified as federal revenues.

New allocations of \$15.2 million in COVID-19 relief funds were added to the projection for 2021-22; these funds were assumed to be one-time and were eliminated from the subsequent years of the projection. The FCMAT projection assumes the district will apply for funding, adopt spending plans, and file expenditure reports as required to qualify for funding. For example, FCMAT included \$9.0 million for the Educator Effectiveness Block Grant in its projection for 2021-22. To be eligible for this funding, the district must adopt a plan by December 30, 2021. The deadline for expenditure is June 30, 2026. In addition, A-G Completion Improvement Grant revenues of \$3.0 million were included in FCMAT's projection. To qualify for the funds, the board must adopt an expenditure plan by April 1, 2022. The funds are available for expenditure through June 30, 2026.

The district has balances in several resources representing unspent grant funds, with no expenditures budgeted in 2021-22. Listed below are these programs and their balances as of June 30, 2021.

Resource	Program Name	Balance
6286	English Language Acquisition Program	\$122,564.77
7311	Classified School Employee Professional Development Block Grant	\$268,750.00
7338	College Readiness Block Grant	\$106,045.92
7510	Low-Performing Students Block Grant	\$190,749.78
	TOTAL	\$688,110.47

Funds that are not spent in a timely manner may need to be returned to the state. The district recorded a payable in 2019-20 to repay unspent College Readiness Block Grant funds. The deadline for expenditure of the Low-Performing Students Block Grant was June 30, 2021; these funds will also need to be returned to the state.

## Mandate Funding

Projections for the ongoing Mandate Block Grant are based on FCMAT's projection of ADA for 2021-22 and subsequent years. Funding is calculated based on per-ADA amounts from the SSC Dartboard, with COLA applied in the subsequent years. Receipt of Mandate Block Grant funds is contingent on the district filing a funding application each year with the CDE.

## Lottery

FCMAT projected lottery revenues for 2021-22 and subsequent years based on projected annual ADA, multiplied by \$163.00 for unrestricted and by \$65.00 for restricted lottery instructional materials, per the SSC Dartboard. Lottery funding is initially allocated using the prior year's annual ADA and adjusted in the subsequent fiscal year based on current year annual ADA.

## Other Local Revenue

The district receives local revenues from interest earnings, leases and rentals, fees and contracts, donations, and other miscellaneous sources. Because these revenues cannot be guaranteed year to year, budgets and MYFPs for these items should be conservative, consider historical trend data and identify revenues that are one-time. These budget items should also be monitored and updated throughout the year based on amounts received to date.

The FCMAT study team reviewed the district's budgeted amounts for reasonableness using the prior two years' actual revenues and 2021-22 year-to-date actual receipts. Amounts attributed to the sale of equipment and supplies, use of facilities, all other fees and contracts, miscellaneous revenue and other local revenue and donations were adjusted in 2021-22 based on year-to-date actual revenues; these were considered to be one-time and were eliminated in the subsequent years of the projection unless historical receipts justified ongoing treatment. FCMAT increased the budget by \$2.0 million for Redevelopment Agency (RDA) revenues not subject to the LCFF deduction based on historical revenues. The amount budgeted for interest revenue was found to be reasonable and was considered to be ongoing in the subsequent years of the projection, adjusted by the rate of increase in the interest rate for 10-year treasuries per the SSC Dartboard.

The district budgeted \$1.05 million for facilities rent for charter schools in 2021-22 but failed to collect payments in 2020-21. The FCMAT projection assumes the district will collect these funds in 2021-22 and subsequent years. The district budgeted \$2.45 million for charter school oversight fees and central office services to charter schools in 2021-22 but failed to collect these fees in 2020-21. FCMAT's projection assumes the district will collect these fees in 2021-22 and subsequent years.

## Expenditures

The district's expense assumptions and projections were reviewed and assessed based on history for the prior three years, expenses to date, and information the district provided for items such as textbook adoptions, special education expenses, health care costs, and the AB 86 Plan adopted by the district on May 25, 2021. Attempts to attain reliable historical expenses compared to the 2021-22 adopted budget information by resource and object from the district's financial software system were unsuccessful. Attempts to reconcile the AB 86 spending plan to the adopted budget were also unsuccessful. Many salaries paid for the first month of the 2021-22 school year were charged to the In-Person Instruction Grant (Resource 7422) but were not included in the AB 86 Plan or the district's adopted budget. The MYFP developed by FCMAT assumes that these salaries will continue to be paid from Resource 7422 through 2023-24, and that they are part of the AB 86 ongoing costs of \$4.7 million that will need to be funded with other ongoing resources beginning in 2024-25. This lack of readily available accurate, consistent data could negatively affect staff's ability to analyze expenses and may result in the need for additional staff time and resources to complete analysis throughout the year.

The FCMAT analysis in the Salaries section includes adjustments only for those positions on the Human Resources (HR) Department list and EdJoin for active recruiting as of October 2021. No other adjustments for position decreases or increases are included other than those for the Special Education Alternative Dispute Resolution and Learning Recovery plans, because the other plans provided by staff were of insufficient detail to identify expenses. All nonspecific expenditures in the AB 86 and ESSER III plans have insufficient detail to budget and were included in books and supplies or services in FCMAT's MYFP.

Many of the expenditure variances discussed in the following paragraphs are related to the restructure of the 2019-20, 2020-21 and 2021-22 school years because of COVID-19.

## Salaries

The district's financial software system does not generate the cost of annual step and column increases. To estimate the annual cost, FCMAT used information provided by the district's Next Step April 20, 2021 budget development spreadsheet, the CDE J-90 report, and district history related to terminations and retirements. Such detailed information is necessary to accurately estimate the multiyear impact of step and column costs. The FCMAT MYFP applies step and column costs of 1.54% to certificated salaries and step costs of 1.72% to classified salaries in 2022-23 and 2023-24.

The district's documents include various percentages for annual step and column costs. For example, the 2021-22 adopted budget Form MYP includes a projection of 1.3% for certificated step and column costs and 1.3% for classified. However, the district's spreadsheet used to forecast step costs calculated 1.48% for certificated and 1.72% for classified. Although these variances are minor, a best practice is to explain any variances to ensure information is presented consistently.

The financial software system does not properly report and maintain the number of staff positions and vacancies. The Staffing By Name and Object 9-20-21 report lists more than 160 certificated and 200 classified vacancies that were active, new or ESSER funded. These are different from the spreadsheet provided by the HR Department to track recruiting, interviewing and hiring activities: the HR certificated list contained approximately 27 vacancies. District staff referred FCMAT to EdJoin for classified vacancies, which showed the district was recruiting for approximately 56 classified positions.

According to the district's 2020-21 2nd Interim vs. 2021-22 Preliminary Budget spreadsheet, the 2021-22 adopted budget included reductions of \$6.8 million to certificated staff salaries and \$2.9 million to classified staff salaries. Interviews indicated that no revisions had been made to the 2021-22 budget since

its adoption, but positions that were reinstated would be funded by ESSER. However, the district did not provide a complete list of salaries to be charged to ESSER funds, and the data that was provided was not consistent.

Several positions are charged to the unrestricted general fund or ESSER funds even though they work for a restricted program, including transportation manager, driver trainer, HVAC technician, mechanic and food services managers. In addition, other positions, such as the director of fiscal services, senior payroll technician, technology manager and educational services program director, are charged to ESSER funds. These appear to be positions essential to the organization; however, interviews indicate that all ESSER funded positions are temporary and will terminate at the conclusion of the funding, unless another funding source becomes available.

The MYFP developed by FCMAT reverses identifiable expenses related to 15% increases given to employees in 2021 for summer work in fiscal years 2022-23 and 2023-24 since the memoranda of understanding (MOUs) address only 2021 summer work. The analysis does not include potential additional costs related to increases in the state minimum wage, which is scheduled to increase to \$15 per hour on January 1, 2022. The scope of FCMAT's work did not include an analysis to determine if these increases will have a material effect on the district's budget.

### **Certificated Salaries**

The FCMAT review of unrestricted general fund expenditures for certificated salaries indicates that the district's annual projected expenses are overbudgeted by approximately \$1.1 million. The analysis of restricted salaries indicates that annual projected expenses are overbudgeted by \$2.5 million. These estimates include partial year savings for positions that had not yet been filled, based on information provided at the time of FCMAT's fieldwork.

The FCMAT projection includes the portion of salaries estimated to be paid as of October 31, 2021, using salaries paid through October 8 plus one month's estimated payroll, in proportion to actual salaries paid at that time in 2018-19; 2018-19 was used because of one-time savings in 2019-20 and 2020-21 (due to COVID-19), particularly as it relates to part-time hourly employees, extra duty, substitutes, and other such salary items.

### **Classified Salaries**

The FCMAT review of unrestricted general fund expenditures for classified salaries indicates that annual projected expenses are overbudgeted by approximately \$2.1 million. The analysis of restricted salaries indicates that annual projected expenses are underbudgeted by \$1.0 million. These estimates include partial year savings for positions that had not yet been filled, based on information provided at the time of FCMAT's fieldwork.

The district charged or encumbered only \$0.2 million in classified salaries to the Expanded Learning Opportunities Grant: Paraprofessional Staff (Resource 7426) in 2021-22. However, FCMAT's projection for the subsequent years assumes that all identifiable paraprofessional salaries charged to state COVID-19 funds will be reclassified to this resource. Charging classified employees to the proper funding source is of particular importance with the passage of Assembly Bill 438, which modifies classified employee reduction in force protocols but continues to allow for 60 days' notice for layoffs that result from the expiration of a specially funded program. Many of the 2021-22 positions are funded by one-time money, and proper account coding is critical for flexibility to adjust to future financial conditions.

The projection developed by FCMAT includes the portion of salaries estimated to be paid as of October 31, 2021, using salaries paid through October 8 plus one month's estimated payroll, in proportion to actual

salaries paid at that time in 2018-19; 2018-19 was used because of one-time savings in 2019-20 and 2020-21 (due to COVID-19) for part-time hourly employees, transportation and instructional aide vacancies, overtime, substitutes, and other such salary items.

## Employee Benefits

FCMAT's review of the expenditures for unrestricted general fund benefits indicates that annual projected health and welfare expenses are overbudgeted by approximately \$1.1 million. This amount is partially offset by various adjustments to other unrestricted fringe benefit accounts, resulting in a net overbudgeted amount of \$30,000. The analysis of restricted benefits indicates that annual projected health and welfare expenses are overbudgeted by \$1.2 million. This amount is partially offset by various adjustments to other restricted fringe benefit accounts, resulting in a net overbudgeted amount of \$1.1 million.

Detailed analysis indicates that the district did not budget employee benefits proportional to salaries. Reports provided indicate this data is not maintained in the position control data file, making reconciliation difficult. The rates used in the budget for health and welfare, unemployment insurance and other post-employment benefit (OPEB) liabilities were not distributed uniformly in all resources.

Since the majority (72%) of the district's employees receive benefits from Kaiser, and the most recent rate change for 2022 was 5.9%, and inflation is expected to continue, this rate was used in FCMAT's MYFP. The assumptions regarding future increases should be reviewed and adjusted annually.

## Books and Supplies

Based on FCMAT's analysis, \$209.1 million of the 2021-22 combined general fund books and supplies budget will not be expended. The district's budgeting method appears to indicate that carryover funds and funds received with no spending plan are budgeted in books and supplies as a placeholder until the district determines how to expend them.

The FCMAT review indicates that the 2021-22 unrestricted general fund expenses for books and supplies are overbudgeted by approximately \$4.8 million. The analysis of restricted resources indicates that books and supplies are overbudgeted by \$204.3 million. The ESSER and Expanded Learning Opportunities Grant funds account for the majority of this overbudgeted amount, \$158.6 million and \$37.0 million, respectively.

Interviews indicate that there will be a textbook adoption in 2022-23, which was not in the district's MYFP. FCMAT used the fiscal year 2018-19 expenses to project adoption costs and included \$18.3 million for textbook adoptions in 2022-23 from the available Lottery Instructional Materials (Resource 6300) balance and the unrestricted general fund. No other textbook adoptions were included in FCMAT's MYFP.

One-time savings in books and supply costs related to restructure of the 2019-20 and 2020-21 school years due to COVID-19 were added back to FCMAT's MYFP in 2022-23 as ongoing expenses, using the greater of 2018-19, 2019-20 or 2020-21 expenses as the basis for the projection.

FCMAT's MYFP includes the use of all federal and state COVID-19 relief funds by June 2024, with approximately \$3.0 million available in AB 86 and ESSER funds to support summer school in 2024. The ESSER plan expenses not tied to identifiable expenditures were budgeted in the MYFP to books and supplies because plan details provided were insufficient to assign them to specific object codes. The FCMAT MYFP also includes increases based on the consumer price index (CPI).



## Services and Other Operating Expenditures

The district's 2019-20 and 2020-21 actual expenditures indicated that some of the budgeted professional development expenses did not occur; this may have been exacerbated by the restructure due to COVID-19.

FCMAT's review indicates that the 2021-22 unrestricted general fund expenditures for services are over-budgeted by \$1.0 million. The analysis of restricted resources indicates a budget shortfall of \$11.5 million. Included in this shortfall is approximately \$0.4 million of underbudgeted special education costs related to nonpublic school (NPS) and other contracts. Interviews with staff indicated, and FCMAT analysis supports, that while the NPS population served has decreased, the cost of services per student has increased.

One-time savings in services and other operating costs related to restructure of the 2019-20 and 2020-21 school years due to COVID-19 were added back to FCMAT's MYFP in 2022-23 as ongoing expenses, using the greater of 2018-19, 2019-20 or 2020-21 expenses as the basis for the projection. The FCMAT MYFP also includes increases based on the CPI for all expenses, except for election costs that are budgeted only in election years.

## Capital Outlay

It appears that the district uses a zero-based budget method for capital outlay expenses paid by the unrestricted general fund. The FCMAT review indicates that the 2021-22 unrestricted general fund expenditures for capital outlay are underbudgeted by approximately \$57,000. The analysis of restricted resources indicates an underbudgeted amount of \$2.3 million.

One-time savings in capital outlay costs related to restructure of the 2019-20 and 2020-21 school years due to COVID-19 were added back to FCMAT's MYFP in 2022-23 as ongoing expenses, using the greater of 2018-19, 2019-20 or 2020-21 expenses as the basis for the projection.

Capital expenditures from federal funds require preapproval from the CDE, which may take additional planning and time.

## Other Outgo/Indirect Costs

The district did not apply the indirect cost rate to some of its restricted programs, including special education and COVID-19 resources. The district also did not include any indirect costs in its AB 86 and ESSER plans. The additional income to the unrestricted general fund from the federal and state COVID-19 resources alone could be as much as \$1.9 million in 2021-22, \$4.5 million in 2022-23 and \$4.3 million in 2023-24. The full allowable indirect cost rate should be charged to each restricted program and fund, even those that require a contribution from the unrestricted general fund. Because the district has not routinely charged indirect costs to all special education resources, it should analyze how the special education MOE will be affected before charging indirect costs to each of these resources.

The FCMAT MYFP applies an indirect cost rate of 4.35% to all allowable programs, except for state special education resources, in 2021-22 and 4.62% in 2022-23 and 2023-24, based on the 2020-21 unaudited actuals Indirect Cost Rate Worksheet (Form ICR).

## Other Financing Sources/Uses

### Transfers In

There were no budgeted transfers to the general fund from other funds, and none are projected in the subsequent years.

## Transfers Out

The adopted budget included a transfer of \$0.5 million to the capital facilities fund to contribute to the certificates of participation annual debt service payment. FCMAT's MYFP assumes this transfer is ongoing.

## Contributions to Restricted and Unrestricted Resources

When revenues for restricted programs are insufficient to support program expenditures, a contribution from the unrestricted general fund is required. The 2021-22 adopted budget includes contributions from the unrestricted general fund to support several restricted programs, including federal and state special education programs, Mental Health Services, WorkAbility, and other restricted federal programs. Ensuring that all qualifying expenditures are coded correctly to the applicable restricted programs helps provide maximum flexibility and availability of unrestricted funding, which can typically be used for any educational purpose. However, all programs that require a contribution from the unrestricted general fund should be reviewed to ensure they are self-sustaining. The only exceptions should be the routine restricted maintenance account (RRMA), special education, and any restricted programs, such as the Classified School Employee Summer Assistance Program, the district has made a deliberate decision to support with unrestricted general funds. The special education program typically has insufficient state and federal funding support, and the district is required to make a 3% contribution to RRMA.

When restricted resource expenditure budgets exceeded projected revenue in the subsequent years of the MYFP, FCMAT reduced expenditures in the 4000 (books and supplies) and 5000 (services and other operating) object codes where possible to remain within the projected revenue estimates. However, this action may also affect programs by the reduction of expenditures for these items. No reductions were made in salary and benefit budgets. A contribution was made from the unrestricted general fund to balance any restricted resource for which expenditures still exceeded revenue after these adjustments. Because of increasing costs year over year, the district may need to reduce expenditures in several of its restricted resources in 2022-23 and/or 2023-24 to remain within the projected revenue estimates. Some of the programs that may be affected include Title I, Title IV, and California Partnership Academies.

The FCMAT MYFP shows that the EPA (Resource 1400) is building and maintaining a large ending fund balance. To meet the reporting requirements for receipt and use of EPA funds, the district should move allowable expenditures from the unrestricted general fund to Resource 1400.

The MYFP also shows that unrestricted lottery (Resource 1100) is projected to have negative ending balances of \$1.7 million in 2022-23 and \$5.5 million in 2023-24. The district increased classified salaries in the 2021-22 lottery budget by approximately \$2.0 million, and it is anticipated the expenses will continue to increase. Expenses should be reduced from this resource for it to be self-sustaining. In addition, the 2020-21 lottery income and ending fund balance shown on the district's financial system report provided to FCMAT does not match the unaudited actuals Lottery Report (Form L).

A year-over-year review of contributions is a good internal control and variance analysis of fiscal reports. However, this fiscal analysis tool becomes obfuscated if contributions are made to unrestricted resources, such as lottery.

Many districts reported reduced special education expenses during COVID-19 and have been able to take advantage of rebenching the maintenance of effort (MOE). Based on information from the district, the number of high-cost special needs students is decreasing, which may allow the district to rebench its MOE. Current law allows for four exceptions to reduce the current year MOE, for which the district may qualify. Information regarding the exceptions and an [exemption worksheet](#) can be found on the CDE website.

The following table shows projected contributions to the district's restricted resources.

	Resource Code	Base Year 2021 - 22	Year 1 2022 - 23	Year 2 2023 - 24
<b>Unrestricted Resources</b>				
Unrestricted	0000	(\$56,204,203)	(\$64,134,280)	(\$66,774,916)
<b>Total Unrestricted</b>		<b>(\$56,204,203)</b>	<b>(\$64,134,280)</b>	<b>(\$66,774,916)</b>
<b>Restricted Resources</b>				
Department of Rehabilitation: Workability	3410	\$260,381	\$249,484	\$265,522
Other Federal	5810	\$166,461	\$172,996	\$177,301
Mental Health	6512	\$27,047	\$484,580	\$482,324
Classified School Employee Summer Assistance	7415	(\$458,967)	\$79,739	\$80,026
Special Education	Various	\$41,885,482	\$47,293,931	\$50,297,398
Ongoing & Major Maintenance Account (RRMA)	8150	\$14,323,799	\$ 15,853,550	\$ 15,472,345
<b>Total Restricted</b>		<b>\$56,204,203</b>	<b>\$64,134,280</b>	<b>\$66,774,916</b>

The district's 2021-22 adopted budget includes a contribution of \$21.4 million to the RRMA. Following adoption of the district's budget, the state budget act and AB 86 excluded certain federal and state COVID relief funds from the 3% RRMA calculation. Based on these exclusions and FCMAT's adjustments, the contribution was reduced to \$14.3 million.

## Multiyear Financial Projection Analysis

The FCMAT study team analyzed all general fund sources and expenditure categories by resource. The unrestricted general fund summary below indicates that, without revenue increases and/or expenditure reductions, deficit spending of \$9.9 million is projected in 2022-23.

To protect the district's financial solvency and eliminate deficit spending, the district will need to make difficult choices about which expenditures and programs will continue to be funded and which will be scaled back, reconfigured or eliminated, unless an increase in ongoing funding is provided.

## Unrestricted General Fund

The district's general fund budget is a combination of unrestricted general purpose dollars and restricted grants and categorical funding. However, when analyzing the district's budget, much attention is focused on the unrestricted budget, in particular deficit spending and the unappropriated ending fund balance. The unrestricted general fund summary below shows FCMAT's analysis of the district's unrestricted resources and includes a column showing the study team's adjustments to the base year.

### Unrestricted General Fund Summary

Description	Object Code	Base Year 2021-22	Adjustments to Base Year	Year 2 2022-23	Year 3 2023-24
<b>A. Revenues</b>					
LCFF Sources	8010-8099	396,264,285.00	14,291,123.00	402,984,258.00	414,655,299.00
Federal Revenue	8100-8299	-	-	-	-
Other State Revenues	8300-8599	6,543,093.00	(327,744.00)	6,612,558.00	6,630,068.00
Other Local Revenues	8600-8799	4,437,975.00	244,051.00	4,846,751.45	4,883,957.85
Total, Revenue		407,245,353.00	14,207,430.00	414,443,567.45	426,169,324.85
<b>B. Expenditures</b>					
Certificated Salaries	1000-1999	149,162,958.00	(1,044,629.00)	149,581,600.91	149,923,132.06
Classified Salaries	2000-2999	54,311,707.85	(2,069,842.00)	52,711,974.18	53,618,620.13



Description	Object Code	Base Year 2021-22	Adjustments to Base Year	Year 2 2022-23	Year 3 2023-24
Employee Benefits	3000-3999	98,668,851.20	(30,071.00)	106,537,516.95	109,165,318.93
Books and Supplies	4000-4999	10,898,399.83	(4,824,502.00)	25,894,403.14	12,076,928.37
Services and Other Operating Expenditures	5000-5999	29,885,728.36	(1,020,675.00)	32,855,065.42	33,520,959.01
Capital Outlay/Depreciation	6000-6999	-	57,389.00	697,699.00	697,699.00
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	1,113,137.00	(44,575.00)	1,194,623.00	1,230,096.00
Other Outgo - Transfers of Indirect Costs	7300-7399	(4,881,377.00)	(1,754,180.66)	(9,796,463.67)	(9,485,506.96)
Other Adjustments - Expenditures				-	-
Total, Expenditures		339,159,405.24	(10,731,085.66)	359,676,418.93	350,747,246.54
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		68,085,947.76	24,938,515.66	54,767,148.52	75,422,078.31
D. Other Financing Sources/Uses					
Interfund Transfers					
Transfers In	8900-8929	-	-	-	-
Transfers Out	7600-7629	500,000.00	-	500,000.00	500,000.00
Other Sources/Uses					
Sources	8930-8979	-	-	-	-
Uses	7630-7699	-	-	-	-
Other Adjustments - Other Financing Uses				-	-
Contributions	8980-8999	(71,171)OK	14,967,301.68	(64,134,279.59)	(66,774,916.17)
Total, Other Financing Sources/Uses		(71,671,505.00)	14,967,301.68	(64,634,279.59)	(67,274,916.17)
E. Net Increase (Decrease) in Fund Balance/Net Position		(3,585,557.24)	39,905,817.34	(9,867,131.07)	8,147,162.14
F. Fund Balance, Reserves/Net Position					
Beginning Fund Balance/Net Position					
As of July 1 - Unaudited	9791	133,069,421.16		169,389,681.26	159,522,550.19
Audit Adjustments	9793	-		-	-
As of July 1- Audited		133,069,421.16		169,389,681.26	159,522,550.19
Other Restatements	9795	-		-	-
Adjusted Beginning Balance		133,069,421.16		169,389,681.26	159,522,550.19
Ending Balance/Net Position, June 30		169,389,681.26		159,522,550.19	167,669,712.33
Components of Ending Fund Balance (FDs 01-60 only)					
Nonspendable	9710-9719	1,270,000.00		1,270,000.00	1,270,000.00
Restricted	9740	-		-	-
Committed					
Stabilization Arrangements	9750	-		-	-
Other Commitments	9760	-		-	-
Assigned					
Other Assignments	9780	-		-	-
Unassigned/Unappropriated					
Reserve for Economic Uncertainties	9789	16,237,674.20		12,977,479.67	12,610,986.74
Unassigned/Unappropriated Amount	9790	151,882,007.06		145,275,070.52	153,788,725.59

## Restricted General Fund

Income for the Expanded Learning Opportunities Program has been included in the MYFP. There is no opt-out option for this program, and it is the intent of the Legislature that all LEAs participate (Education Code Section 46120). However, at this time the penalty for not implementing the program is to return the funds to the state. Some organizations have estimated that the cost to operate it may exceed funding. Interviews with district administration and staff provided varying information regarding whether the district plans to implement this program. Therefore, no program expenses have been included in FCMAT’s MYFP. Funding is also included in FCMAT’s MYFP for Federal Special Ed: Alternative Dispute Resolution, American Rescue Plan-Homeless Children and Youth I and II, Educator Effectiveness Block Grant, Strong Workforce Program, A-G Access/Success Grant and A-G Learning Loss Mitigation Grant, although no district expenditure plan

was provided. These programs with income and no expenses accumulate year over year and account for \$68.4 million of the 2023-24 restricted ending fund balance.

Interviews indicate that the AB 86 Expanded Learning Opportunities Grant Plan will be ongoing, although the income is one-time. Components of the ESSER III Plan, including items such as Positive Behavioral Interventions and Supports (PBIS), increased substitute pool, special education, new assessments, and the print shop, are not in the district’s budget but should be added to the ongoing cost of that plan. The estimate by FCMAT for these ongoing costs beginning in 2024-25 is \$16.2 million per year. These ongoing costs will shift to the unrestricted general fund and/or other ongoing funding sources, along with the seven counselor positions included in the AB 86 Plan that are currently funded with other ongoing resources. Numerous other items, which may also be ongoing, are included in the ESSER III Plan, but their cost is unknown; therefore, they are not included in FCMAT’s estimate.

In addition to the projected ongoing costs above, projected ongoing salaries and benefits currently charged to one-time ESSER funds for positions already filled and in the process of being filled as of October 2021 represent approximately \$10.1 million annually beginning in 2024-25. Interviews indicate that the funding for these positions will shift to the unrestricted general fund and/or other ongoing funding sources or will be eliminated when ESSER funds are no longer available. Estimated ESSER III Plan costs used by FCMAT included no other salaries and benefits costs associated with the plan adopted in October 2021, because that detailed information was unavailable at the time of this review. The increases of 15% for 2021 summer work agreed to in collective bargaining MOUs is projected as a one-time occurrence. The FCMAT estimate of the cost of these MOUs is based solely on pay periods between July 1 and August 30, 2021, which align with summer schedules, because all of the salaries and benefit expenses were not charged to ESSER.

The restricted general fund summary below shows FCMAT’s analysis of the district’s restricted resources and includes a column showing the study team’s adjustments to the base year.

**Restricted General Fund Summary**

Description	Object Code	Base Year 2021-22	Adjustments to Base Year	Year 2 2022-23	Year 3 2023-24
<b>A. Revenues</b>					
LCFF Sources	8010-8099	-	-	-	-
Federal Revenue	8100-8299	219,419,167.00	67,519,423.00	36,810,241.00	36,810,241.00
Other State Revenues	8300-8599	100,557,470.00	14,931,696.00	85,346,793.06	85,716,115.16
Other Local Revenues	8600-8799	801,771.00	2,253,229.00	3,055,000.00	3,055,000.00
Total, Revenue		320,778,408.00	84,704,348.00	125,212,034.06	125,581,356.16
<b>B. Expenditures</b>					
Certificated Salaries	1000-1999	49,270,346.86	(2,515,562.00)	46,580,475.68	47,290,665.06
Classified Salaries	2000-2999	31,689,747.00	1,093,514.09	33,334,565.97	33,902,159.56
Employee Benefits	3000-3999	65,105,261.31	(1,075,575.00)	67,332,348.66	69,012,619.91
Books and Supplies	4000-4999	236,822,680.83	(204,271,726.44)	96,989,928.41	84,482,131.87
Services and Other Operating Expenditures	5000-5999	17,606,884.00	11,547,113.71	33,250,001.94	33,854,227.33
Capital Outlay/Depreciation	6000-6999	350,464.00	2,311,392.00	3,656,391.00	3,517,391.00
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	32,468.00	-	32,468.00	32,468.00
Other Outgo - Transfers of Indirect Costs	7300-7399	2,606,298.00	1,754,180.66	7,521,384.67	7,210,427.96
Other Adjustments - Expenditures				-	-
Total, Expenditures		403,484,150.00	(191,156,662.98)	288,697,564.33	279,302,090.69
<b>C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses</b>		(82,705,742.00)	275,861,010.98	(163,485,530.27)	(153,720,734.53)
<b>D. Other Financing Sources/Uses</b>					
Interfund Transfers					
Transfers In	8900-8929	-	-	-	-
Transfers Out	7600-7629	-	-	-	-

Description	Object Code	Base Year 2021-22	Adjustments to Base Year	Year 2 2022-23	Year 3 2023-24
Other Sources/Uses					
Sources	8930-8979	-	-	-	-
Uses	7630-7699	-	-	-	-
Other Adjustments - Other Financing Uses				-	-
Contributions	8980-8999	71,171,505.00	(14,967,301.68)	64,134,279.59	66,774,916.17
Total, Other Financing Sources/Uses		71,171,505.00	(14,967,301.68)	64,134,279.59	66,774,916.17
E. Net Increase (Decrease) in Fund Balance/Net Position		(11,534,237.00)	260,893,709.30	(99,351,250.68)	(86,945,818.36)
F. Fund Balance, Reserves/Net Position					
Beginning Fund Balance/Net Position					
As of July 1 - Unaudited	9791	31,418,444.51		280,777,916.81	181,426,666.13
Audit Adjustments	9793	-		-	-
As of July 1- Audited		31,418,444.51		280,777,916.81	181,426,666.13
Other Restatements	9795	-		-	-
Adjusted Beginning Balance		31,418,444.51		280,777,916.81	181,426,666.13
Ending Balance/Net Position, June 30		280,777,916.81		181,426,666.13	94,480,847.77
Components of Ending Fund Balance (FDs 01-60 only)					
Nonspendable	9710-9719	-		-	-
Restricted	9740	280,777,916.81		181,426,666.13	94,480,847.77
Committed					
Stabilization Arrangements	9750	-		-	-
Other Commitments	9760	-		-	-
Assigned					
Other Assignments	9780	-		-	-
Unassigned/Unappropriated					
Reserve for Economic Uncertainties	9789	-		-	-
Unassigned/Unappropriated Amount	9790	-		-	-

## Combined General Fund

The combined general fund summary below shows FCMAT’s analysis of all the district’s unrestricted and restricted general fund sources and includes a column showing the combined adjustments to the base year. Because the district’s projected ADA is less than 30,001 in 2021-22, its required minimum reserve for economic uncertainties increases to 3% for that year.

### Combined General Fund Summary

Description	Object Code	Base Year 2021-22	Adjustments to Base Year	Year 2 2022-23	Year 3 2023-24
A. Revenues					
LCFF Sources	8010-8099	396,264,285.00	14,291,123.00	402,984,258.00	414,655,299.00
Federal Revenue	8100-8299	219,419,167.00	67,519,423.00	36,810,241.00	36,810,241.00
Other State Revenues	8300-8599	107,100,563.00	14,603,952.00	91,959,351.06	92,346,183.16
Other Local Revenues	8600-8799	5,239,746.00	2,497,280.00	7,901,751.45	7,938,957.85
Total, Revenue		728,023,761.00	98,911,778.00	539,655,601.51	551,750,681.01
B. Expenditures					
Certificated Salaries	1000-1999	198,433,304.86	(3,560,191.00)	196,162,076.59	197,213,797.12
Classified Salaries	2000-2999	86,001,454.85	(976,327.91)	86,046,540.15	87,520,779.69
Employee Benefits	3000-3999	163,774,112.51	(1,105,646.00)	173,869,865.61	178,177,938.84
Books and Supplies	4000-4999	247,721,080.66	(209,096,228.44)	122,884,331.55	96,559,060.24
Services and Other Operating Expenditures	5000-5999	47,492,612.36	10,526,438.71	66,105,067.36	67,375,186.34
Capital Outlay/Depreciation	6000-6999	350,464.00	2,368,781.00	4,354,090.00	4,215,090.00
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	1,145,605.00	(44,575.00)	1,227,091.00	1,262,564.00
Other Outgo - Transfers of Indirect Costs	7300-7399	(2,275,079.00)	-	(2,275,079.00)	(2,275,079.00)
Other Adjustments - Expenditures				-	-
Total, Expenditures		742,643,555.24	(201,887,748.64)	648,373,983.26	630,049,337.23

Description	Object Code	Base Year 2021-22	Adjustments to Base Year	Year 2 2022-23	Year 3 2023-24
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		(14,619,794.24)	300,799,526.64	(108,718,381.75)	(78,298,656.22)
D. Other Financing Sources/Uses					
Interfund Transfers					
Transfers In	8900-8929	-	-	-	-
Transfers Out	7600-7629	500,000.00	-	500,000.00	500,000.00
Other Sources/Uses					
Sources	8930-8979	-	-	-	-
Uses	7630-7699	-	-	-	-
Other Adjustments - Other Financing Uses					
Contributions	8980-8999	-	-	-	-
Total, Other Financing Sources/Uses		(500,000.00)	-	(500,000.00)	(500,000.00)
E. Net Increase (Decrease) in Fund Balance/Net Position		(15,119,794.24)	300,799,526.64	(109,218,381.75)	(78,798,656.22)
F. Fund Balance, Reserves/Net Position					
Beginning Fund Balance/Net Position					
As of July 1 - Unaudited	9791	164,487,865.67		450,167,598.07	340,949,216.32
Audit Adjustments	9793	-		-	-
As of July 1 - Audited		164,487,865.67		450,167,598.07	340,949,216.32
Other Restatements	9795	-		-	-
Adjusted Beginning Balance		164,487,865.67		450,167,598.07	340,949,216.32
Ending Balance/Net Position, June 30		450,167,598.07		340,949,216.32	262,150,560.10
Components of Ending Fund Balance (FDs 01-60 only)					
Nonspendable	9710-9719	1,270,000.00		1,270,000.00	1,270,000.00
Restricted	9740	280,777,916.81		181,426,666.13	94,480,847.77
Committed					
Stabilization Arrangements	9750	-		-	-
Other Commitments	9760	-		-	-
Assigned					
Other Assignments	9780	-		-	-
Unassigned/Unappropriated					
Reserve for Economic Uncertainties	9789	16,237,674.20		12,977,479.67	12,610,986.74
Unassigned/Unappropriated Amount	9790	151,882,007.06		145,275,070.52	153,788,725.59
G. Available Reserves					
Available Reserves - by Amount		168,119,681.26		158,252,550.19	166,399,712.33
Available Reserves - by Percent		31.06%		24.39%	26.39%
Reserve Standard		16,237,674.20		12,977,479.67	12,610,986.74
Reserve Standard Percentage Level		3.00%		2.00%	2.00%
Available Reserves Meet Reserve Standard		Met		Met	Met

## Other Items to Consider

### Form CAT – Schedule for Categoricals

The FCMAT review of the district’s 2020-21 CAT Excel spreadsheet found that some award amounts shown on the spreadsheet did not align with entitlement amounts posted on the CDE website, including those for CSI; Special Ed: IDEA Basic Local Assistance; Special Ed: IDEA Preschool Local Entitlement (beginning in 2018-19 this resource (3320) was consolidated into Resource 3310 and is no longer funded); Special Ed: Alternate Dispute Resolution; Title II Part A; Title IX Part A McKinney-Vento Homeless Assistance; and special education.

Not all unearned revenues shown on the district’s CAT spreadsheet aligned with the unearned revenue amounts posted to the general ledger at year end, including those for CTEIG, Partnership Academies Program, In-Person Instruction Grant, and Other Restricted Local. The restricted unearned revenues shown

on the district's 2020-21 unaudited actuals report is \$18,004,569, while the unearned revenues shown on the district's spreadsheet total \$13,158,325.

Not all accounts receivable amounts shown on the district's CAT spreadsheet aligned with the accounts receivable amounts posted to the general ledger at year end, including those for Governor's Emergency Education Relief Fund: Learning Loss Mitigation; Special Ed: IDEA Basic Local Assistance Entitlement; Special Ed: IDEA Local Assistance Early Intervening Services; Special Ed: Mental Health Allocation Plan; Indian Education; Other Restricted Federal; Partnership Academies Program; State Learning Loss Mitigation Funds; and Expanded Learning Opportunities Grant. The amount in the restricted Due from Grantor Government account shown on the district's 2020-21 unaudited actuals is \$24,583,865, while the accounts receivable amounts shown on the district's spreadsheet total \$16,788,541.

## Current Expense Formula/Minimum Classroom Compensation

Education Code Section 41372 prescribes the percentage of expenses that should be expended for classroom salaries and benefits. This law was enacted almost a century ago and has become increasingly difficult for districts to comply with given the evolving changes in services provided to students and economic factors such as the LCFF and one-time COVID relief funds. For a unified school district, the minimum is 55%. Based on information provided in the 2020-21 unaudited actuals Form CEA, the district spent 51.19%.

## Spending Plans and Deadlines Per Grantor

Developing plans to use restricted funds is an integral part of maximizing budgets and spending capacity. Based on the amount of carryover for grants and entitlements, it appears that all restricted funds may not be maximized before expending unrestricted resources.

As discussed previously, the district has balances in some programs — including the English Language Acquisition Program, College Readiness Block Grant, and Low-Performing Students Block Grant — for which funds must be returned to the state.

In 2020-21 the district was provided COVID-19 relief funds, some of which had to be spent by May 31, 2021. Although the required funds were expended in fiscal year 2020-21, as of October 8, 2021 there was more than \$1.5 million of expenses and encumbrances, including ongoing salaries, charged to Resource 3220.

The district provided FCMAT a list of one-time expenditures. Absent from that list and with no proposed spending plans were the American Rescue Plan-Homeless Children and Youth I and II programs and the Strong Workforce Program. Best practice is to budget for such programs when funding amounts are provided by the grantor, and to track timelines for expenditures.

The Elementary and Secondary Education Act, reauthorized as the Every Student Succeeds Act, limits the amount of carryover for Title I, Parts A, B and D; Title II, Part A; Title III, Part A; Title IV, Parts A and B; Title V, Part B; and the McKinney-Vento Education for Homeless Children and Youth Program to 15% of the total allocation. Although the state of California has been granted a waiver of the 15% carryover limitation for the federal fiscal year 2019 and 2020 funds, the district should develop plans to spend these funds to ensure they are spent appropriately and in a timely manner, based on the extended spending deadlines.

## Other Funds

In addition to analyzing the general fund, FCMAT completed a basic review of the district's other funds to determine their possible financial impact on the unrestricted general fund. A review of the 2020-21 unau-

dited actuals and the 2021-22 adopted budget found that, except for the capital facilities fund, the district does not expect that any of the other funds will require contributions from the unrestricted general fund in the current or two subsequent fiscal years.

The district's adopted budget shows that the 2020-21 estimated actuals and 2021-22 budget amounts were the same for numerous object codes in some funds (e.g., adult education and child development). Best practice is to review every fund and make any necessary budget adjustments for each reporting period. In addition, the 2020-21 estimated actuals are significantly different from the unaudited actuals in some funds (e.g., charter schools, child development and cafeteria). The differences should be reviewed to determine if the unaudited actuals are correct and/or if the 2021-22 budget needs to be adjusted.

## Charter Schools Fund

The charter schools fund (Fund 09) is used for reporting financial transactions of the five district-operated charter schools. The 2021-22 adopted budget projects that Fund 09 will have a positive ending balance of \$3.9 million, but projects deficit spending of \$21.6 million. The budget for books and supplies has been increased significantly compared to prior years' actual costs (e.g., 2018-19 unaudited actuals show that \$1.4 million was spent on books and supplies, and the 2021-22 budget is \$25.9 million, of which \$23.1 million is budgeted in unrestricted resources). The documents provided do not indicate why the budget was increased or if the increased budget is for one-time costs; however, these increased costs are not sustainable in subsequent years. The FCMAT study team has assumed this is a one-time increase; therefore, FCMAT's MYFP for the general fund does not include a contribution to Fund 09.

As discussed previously, in 2020-21 the district did not collect payments for facilities rent, oversight fees and central office services. The district should work with its charter schools to recoup all applicable fees.

## Cafeteria Fund

The cafeteria fund (Fund 13) is used to account for the food service program. The 2020-21 unaudited actuals and 2021-22 adopted budget show deficit spending of \$0.5 million and \$2.6 million, respectively, with a projected ending balance of \$5.4 million in 2021-22. The fund needs to be analyzed and monitored to ensure it does not develop a structural deficit and require a contribution from the unrestricted general fund.

Districts may charge the cafeteria fund the lesser of the district's CDE-approved indirect cost rate or the statewide average rate. The 2020-21 unaudited actuals report shows that the district charged the 5% statewide average rate rather than the 3.93% CDE-approved rate. In addition, effective 2021-22, Object 4700 (food) expenditures must be excluded when calculating indirect costs charged to the cafeteria fund and other programs. The district's 2021-22 budget does not appear to exclude food expenditures from the calculation.

## Capital Facilities Fund

The capital facilities fund (Fund 25), also known as the developer fee fund, is used primarily to account for funds received from fees levied on developers or other agencies as a condition of approving a development. Expenditures in Fund 25 are restricted to the purposes in Government Code Sections 65970-65981, 65995 and following, and 66001, or to those specified in agreements with developers. The district's School Facility Fee Justification Report (April 2020) and its School Facility Needs Analysis and Justification Study (June 2021) justify the collection of Level I, II and III developer fees and list the allowable uses for these fees. The district's Deferred Maintenance Plan 2021/2022 was presented at the September 14, 2021 board meeting and states that the \$4.3 million plan will be paid for from Fund 25. Deferred maintenance is not



specifically listed in the above statutes or reports as an allowable use of developer fees; therefore, the district will need to consult with the firm that prepared its reports and/or its legal counsel to determine if the funds may be used for this purpose.

The district uses Fund 25 to make annual debt service payments of \$2.6 million for its certificates of participation (COPs), and the debt service schedule shows that annual payments are to be made through 2036. The 2021-22 adopted budget projects that an annual contribution of \$500,000 from the unrestricted general fund is needed to help service the COP debt.

## Recommendations

*The district should:*

1. Adopt a budget and MYFPs that identify deficit spending and meet reserve requirements in the budget and projection years to prevent fiscal insolvency.
2. Cease using one-time funds for ongoing costs, or have a board-approved plan to fund such ongoing costs or eliminate them when the one-time funds are no longer available. Ensure that these costs are monitored closely and tracked to identify its structural deficit.
3. Plan and budget for expenses that are not eliminated and that thus need to have other funding sources when one-time funding ends.
4. Not use one-time funds to provide ongoing increases in salaries or benefits.
5. Adjust its budget and MYFPs, including any new board-adopted plans and items included in the adopted state budget, within 45 days after the governor signs the annual state budget act.
6. Regularly evaluate external and internal factors that affect its fiscal health, and use an MYFP to project their effect on the district.
7. Monitor and project enrollment and ADA at each reporting period, at a minimum.
8. Ensure it uses the most recently updated LCFF calculator and assumptions available, as well as accurate and current enrollment, ADA and UPP projections, to update budgets and MYFPs.
9. Monitor and project revenue and expenditures using the most current information and assumptions available. Update revenue budgets throughout the year as award amounts become known, ensuring budgets match information provided by the CDE and award letters.
10. Ensure unearned revenues received in the prior year are included in current year budgets upon completion of the unaudited actuals and eliminated from the two subsequent years of the projection.
11. Investigate and clear prior year balance sheet transactions as early as possible each fiscal year.
12. Ensure that it adopts expenditure plans and submits the legal assurances for federal COVID funds as required.
13. Ensure that it is aware of and adheres to the various funding application and expenditure deadlines for COVID funds.

14. Develop and implement program expenditure plans to fully expend grant monies within the fiscal year earned. Ensure funds are spent in a timely manner so they do not have to be returned to the state.
15. Continue to budget local revenues conservatively, and update budgets throughout the year as needed to align with year-to-date actual receipts.
16. Review all budgets monthly and make adjustments as needed to minimize variances between budgeted and actual expenditures at year end.
17. Ensure that facility rents and leases, central office service fees, and oversight fees are collected from charter schools. Work with the charter schools to recoup all applicable fees for 2020-21.
18. Ensure it fulfills, and has evidence showing fulfillment of, its charter school oversight responsibilities.
19. Complete a study to determine its projected annual RDA revenues.
20. Train employees in its financial software system, thereby allowing the district to more readily make data-driven decisions, analyze its budget, calculate the cost of annual step and column increases, report and maintain the number of staff positions and vacancies, and increase accuracy and efficiency.
21. Train and cross train staff in its budget development and closing processes.
22. Determine whether vacant positions will be filled, frozen or eliminated so that any associated savings can be included in the budget.
23. Charge employee positions to the correct funding sources, preserving flexibility to adapt to changing financial circumstances as prescribed in AB 438.
24. Charge food services employees to the cafeteria fund so it can monitor and manage the food service program. Check with its auditor to ascertain how the transfer of cafeteria expenses to ESSER resources should be posted in the general ledger.
25. Annually perform a review of the actual historical costs for employee step and column increases to determine if the percentage applied for forecasting is reasonable or should be updated.
26. Ensure that all applicable costs are charged correctly to ESSER funds, including the 15% one-time summer school salary increase.
27. Annually perform a review of the actual historical costs for health and welfare benefit increases to determine if the percentage applied for forecasting is reasonable or should be updated.
28. Ensure that increases to employer paid health and welfare insurance premiums are included in the total compensation used for collective bargaining.
29. Ensure that employee benefit rates are applied correctly and uniformly to each applicable resource.
30. Review budgets for county office, NPS and other contracted special education services more frequently, and at least at each interim reporting period.



31. Ensure that capital expenditures paid for with federal funds are preapproved by the CDE.
32. Charge each restricted resource and fund the full allowable indirect cost rate. Analyze how the special education MOE will be affected before charging indirect costs to each special education resource.
33. Use the MYFP to identify programs that may require a contribution from the unrestricted general fund in subsequent years, and take action as needed to ensure programs are self-sustaining.
34. Ensure that all expenditures are coded correctly and that restricted funds are allocated appropriately to all qualifying expenditures before expending unrestricted dollars.
35. Increase transparency by disclosing at each budget reporting period all programs that require a contribution from the unrestricted general fund. This will help ensure all stakeholders are aware of the funding allocated to these programs, particularly during budget reduction discussions.
36. Reduce expenses as necessary from unrestricted lottery (Resource 1100) so that it is self-sustaining.
37. Move allowable expenditures from the unrestricted general fund to EPA (Resource 1400), and fully expend the EPA funds each fiscal year.
38. Monitor the special education MOE and complete a CDE LEA MOE exemption worksheet as needed to take advantage of any rebenching opportunities, including decreases in services.
39. Ensure the Lottery Report (Form L) matches the information in the financial software system.
40. Ensure that its CAT spreadsheet and/or the SACS Form CAT is completed correctly, and aligns with award amounts posted on the CDE website and amounts posted to the general ledger.
41. Ensure all allowable funding sources are excluded from the Current Expense Formula/ Minimum Classroom Compensation calculation, plan and monitor its compensation ratios, and work with its auditor and the county office to mitigate any shortfalls.
42. Include an estimated annual budget for ongoing categorical programs at budget adoption, and during the year when new programs are established, and continue to adjust the budgets throughout the fiscal year as new information is provided by the grantor.
43. Analyze and monitor all its other funds to ensure they are self-sustaining, unless the governing board has made a decision to provide a contribution to a specific fund.
44. Review every fund and make any necessary budget adjustments at each reporting period.
45. Review the 2020-21 unaudited actuals for other funds to determine if they are correct and/or if the 2021-22 budget needs to be adjusted.
46. Ensure that Object 4700 is excluded when calculating indirect costs.
47. Continue to review and update its School Facility Fee Justification Report and its School Facility Needs Analysis and Justification Study as necessary to ensure it can collect the maximum allowable fees.

48. Consult with the firm that prepared its School Facility Fee Justification Report and its School Facility Needs Analysis and Justification Study, and/or its legal counsel, to determine if developer fees may be used for deferred maintenance.

# Revenue Increases and Expenditure Reductions

## Enrollment and Attendance

Declining enrollment is occurring statewide. Factors such as decreased birth rates, an aging population, families moving away, and alternate educational options contribute to the decline. Data provided on the CDE's DataQuest website shows that although school district enrollments are declining, charter schools are growing. As discussed previously, the district's enrollment had been relatively unchanged for several years but has declined significantly during the pandemic. The district has authorized 13 independent charter schools, and CDE data indicates that the total enrollment for these charter schools has increased each year since 2017-18, with a total enrollment of 4,437 in 2020-21. It would benefit the district to consider actions that may help attract and retain students, such as holding community forums to increase awareness of the opportunities available at its schools, developing marketing materials, consolidating programs at school sites, and developing magnet schools.

The district's primary source of revenue is based on ADA. Information from 2021-22 LCFF calculations indicate that a 1% increase in ADA would provide approximately \$4.0 million in additional revenue. When considering ways to increase attendance, the district will need to consider ADA percentage by grade level groups. For example, CDE data shows that in 2018-19 (the last full in-person school year prior to COVID-19) the districtwide ADA as a percentage of total enrollment was 93.76%; the grade level groups varied from a low of 92.06% for grades 9-12 to a high of 95.07% for grades 4-6. Identifying grade level groups with lower ADA percentages allows the district to target efforts to increase attendance. Increasing the attendance rate would provide additional revenue and additional time for student learning. The CDE website (<https://www.cde.ca.gov/ls/ai/cw/attendstrategy.asp>) identifies several strategies for improving attendance.

It would also benefit the district to review interdistrict transfer requests and policies in an effort to minimize the number of outgoing transfers. The transfers spreadsheet provided by the district indicates that, as of September 2021, there were 1,074 outgoing interdistrict transfers in 2020-21 and 959 in 2021-22.

## Use of Facilities

School districts are authorized by Education Code Section 38134 to charge fees to individuals and groups for their use of the school district's facilities. This code section also regulates the amount that may be charged for facility use. When implementing a facility use fee schedule or increasing fees for facility use, affected parties may not initially understand that although construction funds, such as general obligation bonds, may have been used to build district facilities, the ongoing operational costs, such as utilities and maintenance, are paid by the district's general operating fund. Therefore, when fees are not charged to outside organizations for the use of a school district's facilities or if the fees are insufficient to cover all the costs, the district subsidizes the organizations, which in turn reduces the funds available to meet students' educational needs.

When implementing a fee schedule for use of facilities, districts need to develop policies, procedures and standard forms to ensure that the fees comply with the Education Code requirements, that a system is in place to process requests in a consistent manner, and that language regarding the liability the district assumes when allowing outside organizations to use its facilities has been reviewed and approved by the district's insurance carrier.

Board Policy 1330, Use of School Facilities (January 8, 2019), and Administrative Regulation 1330 (January 8, 2019), describe the district's policies and procedures for using its facilities, and the fee schedule

(undated) is available on the district website. The district uses a third-party online facility request and rental system, Facilitron, to manage use of facility reservations and payments. Facility use revenues were minimal in 2020-21, presumably because of COVID-19 school closures. It would benefit the district to consistently charge a facility use fee that covers no less than the direct costs of the facility use, and to review the facility use fee schedule annually and update it as needed to ensure it recovers the full cost of facility use.

## Sale of Surplus Equipment

It would benefit the district to determine if any unused or obsolete property, such as computers or district vehicles, can be sold as surplus equipment. The best business practices include the ongoing evaluation of surplus equipment to determine if items stored in empty classrooms or a warehouse facility can be used at another school site or if they can be disposed of as surplus. Several private companies provide auction services for the sale of surplus goods, and many districts have found they can generate revenue by using these services rather than paying to dispose of surplus items. This process may also help minimize the cost for storage and potential exposure to theft.

## Indirect Cost and Administrative Cost

As discussed previously, the district does not charge the maximum allowable indirect cost rate to all programs. However, the 2020-21 unaudited actuals Form ICR shows that some programs were charged more than the approved rate. The district needs to calculate and charge the full indirect cost rate, but no more, to all allowable restricted programs and other funds, including those that require a contribution from the unrestricted general fund, to show the true cost of each program and to maximize unrestricted resources.

In addition, Education Code Section 17620(a)(5) allows the district to use up to 3% of the developer fees collected in a fiscal year for reimbursement of the administrative costs incurred by the district in collecting those fees. A review of the district's 2020-21 unaudited actuals report shows that the district could have charged up to \$90,000 for administrative costs related to developer fee collection.

## Special Education

FCMAT was unable to determine, and district staff were unable to confirm, whether the district charges all its authorized charter schools for special education services provided and any applicable excess costs. If the district-operated and independent charter schools use district special education services, the district needs to ensure that the charter schools are billed for them.

As part of the AB 602 special education funding formula, the extraordinary cost pool program reimburses special education local plan areas (SELPAs) for extraordinary costs of single placements in nonpublic, nonsectarian schools (NPSs) and for special education and related services for pupils residing in licensed children's institutions (LCIs) (Education Code Section 56836.21). The district needs to track and monitor these costs throughout the year and apply for reimbursement of these costs when applicable.

## Redevelopment Agencies

The district receives funds from local RDAs; a portion of the funds collected is applied toward local property taxes subject to the LCFF deduction, and a portion is available for educational facility expenditures. The district deposits RDA revenues that are not subject to the LCFF deduction (Object 8625) in a locally restricted resource in the general fund. Per Health and Safety Code Section 33607.5(a)(4)(A) and Education

Code Sections 42238(h)(6), 42238.02(j)(6) and 42238.03(c)(6), these RDA revenues are restricted to expenditures for educational facilities, and many districts use the revenue to meet their required 3% contribution to the ongoing and major maintenance account (Resource 8150).

## Staffing

The district's 2020-21 unaudited actuals and 2021-22 adopted budget reports show that unrestricted general fund salaries and benefits were 91.54% and 89.09% of the expense budget, respectively. The statewide average for all school districts as of 2019-20 (the latest data available) was 88%. The district needs to determine if its percentages are anomalies, possibly due to pandemic-related issues, or if it consistently exceeds the statewide average.

## Health and Welfare Benefit Audit

A best practice is to conduct a verification and determination of eligibility for benefits for all active and retired employees and dependents every five years. Although this process requires staff time to complete, districts often find that they are paying for benefits for numerous individuals who no longer qualify for them.

## Cafeteria Fund

Education Code Section 38101 allows the district's general fund to charge the cafeteria fund direct costs, including the cost of items such as communication services, water, electricity, gas and waste. The charges must be applied using the procedures defined in the California School Accounting Manual (CSAM), Procedures 905 and 910. Charging direct costs helps a district accurately show the total cafeteria program costs and recapture allowable dollars in the unrestricted general fund. A review of the district's 2020-21 unaudited actuals report indicated that the cafeteria fund may not have been charged its full share of all allowable direct costs.

## Parcel Tax

Many districts have sought approval from local voters for a parcel tax to increase funding. Parcel taxes are normally levied at a flat rate per parcel and must be applied uniformly to all real property owners. The only permitted exemptions are for senior citizens and federal supplemental security income disability benefit recipients. Parcel taxes can be extremely difficult to pass because they require approval from two-thirds of voters. The advice of experienced financial advisors and legal counsel should be obtained before determining whether to place a local parcel tax measure on the ballot.

## Recommendations

*The district should:*

1. Communicate its educational strengths and course offerings and continue to explore options to increase student enrollment and attendance.
2. Review its interdistrict transfer requests and policies in an effort to minimize the number of outgoing transfers.

3. Review the facility use fee schedule annually and update it as needed to ensure fees are sufficient to cover all costs and are charged to all users as authorized in Education Code Section 38134.
4. Review inventories of supplies, equipment and vehicles to determine if obsolete or surplus items exist. Consider selling items no longer needed.
5. Ensure that all programs and other funds are charged the maximum allowable indirect cost rate.
6. Ensure the capital facilities fund is charged for all allowable administrative costs of fee collection.
7. Ensure that it charges district-operated and independent charter schools for special education services provided by the district and for any applicable excess costs.
8. Track and monitor the costs for students placed in NPSs and pupils residing in LCIs, and apply for reimbursement of costs from the special education extraordinary cost pool.
9. Consider using Object 8625 RDA funds to meet the 3% required contribution to Resource 8150.
10. Analyze its salary and benefit costs to determine if its 2020-21 and 2021-22 percentages are anomalies or if further measures are needed to better align with the statewide average.
11. Conduct a verification and determination of eligibility for benefits for all active and retired employees and dependents every five years.
12. Consider charging the cafeteria fund its full share of all allowable direct costs.
13. Evaluate the feasibility of putting a parcel tax measure before the voters.

## 2018 Measure C

The district has implemented a complex multiyear, multifund facilities program since 2005, when voters approved its first Proposition 39 general obligation bond. Several general obligation bonds have passed since that time, which have provided millions of dollars of funding for facilities projects. In addition, the district has received facilities funding from a variety of state programs, developer fees and local redevelopment.

Program planning, plan implementation, budget and expenditure tracking, cash flow analyses, and compliance with a myriad of laws, regulations and policies are all complex and important tasks. These tasks should have been implemented starting before the first Proposition 39 bond (also known as old Measure C) was passed in 2005 and should continue until all bond funds have been expended and all applicable projects have been closed out, including those from Measure C passed in 2018 (also known as new Measure C).

Tracking of budgets and expenditures is required to adequately evaluate and improve practices, processes and procedures to deliver projects that are cost effective and cost efficient. Tracking projected and actual costs also allows the district's staff and governing board to see if projects are over or under budget and thus whether there is adequate funding to pay for all proposed projects.

Construction project budgets and expenditures should be followed up with regular, clear and easy-to-understand communications to the board, administration and public, and with continuity throughout the bond programs. This is the best way to provide transparency to taxpayers and voters and maintain credibility with the community. Based on FCMAT's interviews, some communication has been provided throughout the years; however, the district could not provide written evidence of these communications. The documents provided to FCMAT do not include comprehensive reports that indicate the plan for the entire \$156.38 million 2018 Measure C bond, the total amount spent to date, what the funds have been spent on, current projects and projected completion dates.

## Long-Range Facilities Master Plan

The district does not have a long-range facilities master plan. Instead, FCMAT was provided with the district's March 2008 Implementation Plan, which was developed by a construction management company; this Implementation Plan is not a facilities master plan. An implementation plan is typically one of many components of a comprehensive long-range facilities master plan. Projects listed on the district's Implementation Plan are now outdated and not relevant in current project selection.

The Implementation Plan provides information on the Measure Q bond program, a \$464.5 million bond passed in February 2008. It also details the projects that were completed and in progress under Old Measure C, which was passed in 2005 for \$120 million. The March 2008 Implementation Plan provides an extensive list of recommendations for the implementation of the Old Measure C and Measure Q programs, including the challenges of coordinating overlapping bond measure projects and scopes of work. Many of these recommendations could be considered best practices for running a successful bond program and are as useful today as they were in 2008. FCMAT did not receive any documents that showed an effort to follow these recommendations.

A long-range facilities master plan will help the district develop and meet the goals of its facilities program, help provide justification for how projects are selected and funded, and help avoid last-minute changes after projects have been selected. The master plan should be a comprehensive document, and the following main pieces of data should be used to develop it:



- Enrollment projections and a demographic study to determine future enrollment trends, capacity of existing schools, and the need for new school construction and additions to existing schools. The district will need to obtain data about new residential development from its developer fee justification studies and from the city of Stockton planning department.
- Site assessments of existing schools to determine needs for modernization and renovation, portable building replacements, Americans with Disabilities Act (ADA) compliance, structural and seismic needs, infrastructure upgrades and technology needs. The district would need to hire an architectural and/or engineering firm experienced in this process to develop the site assessments.
- Stakeholder input on school facility needs and priorities from their respective viewpoints: board of education through special board workshops, district administration, school site facility committees, parents, Maintenance and Operations Department, Division of the State Architect (DSA) requirements (per the site assessments), community members through community meetings, and the Facilities and Planning Department.

The plan should include both qualitative and quantitative data from the items listed above. The needs gathered from stakeholder input should then be prioritized using a standard facilities priorities template (a sample is included in the appendix of this report). Facility needs are necessarily a mixture of all stakeholder input but should have as top priorities the DSA requirements; infrastructure upgrades including roofs, foundations, and wall systems; and utility infrastructure upgrades including electrical power, low voltage and technology systems, plumbing, and heating, ventilation and air conditioning systems.

It is essential to include both the infrastructure upgrades, such as underground utilities and roofing, which are often invisible to the lay users of schools, as well as beautification activities such as exterior painting, landscaping and other curb appeal projects. A long-range facilities master plan can help achieve a balance between these two types of projects. The prioritization process can be difficult and politically charged, but is important to provide the district staff, board and public with information and evidence that planning is being done and that projects are being selected based on facility needs. After priorities are set, a long-range and short-term implementation plan will need to be developed, along with cost estimates of all work and a financing plan that includes inflation, industry-standard contingencies and program costs.

## 2018 Measure C Projects

Resolution 17-35 was adopted by the district's governing board on February 13, 2018, and authorized the Measure C election, which was held on June 5, 2018. Proposition 39 requires that the ballot language include a list of projects the bond funds will pay for. The Measure C ballot language included a list of every school in the district, followed by general language about modernization, repair and renovation at those sites. This is typical language used in bond measures, which allows districts the flexibility to determine projects within that general framework after the bond election date. However, a successful bond program requires a more detailed plan than the broad listing in the ballot measure. The detailed planning documents need to include information such as the project lists, scope of work, cost estimates, timeline, and cash flow projections over the years of the bond. FCMAT was not provided with evidence of these documents. Although a prioritization or planning process may have been used, staff members who might have been involved in the process are no longer with the district, and current staff were not able to locate board meeting documents regarding the process.



A complete list of current and future Measure C projects with all budget and expenditure information was not provided to FCMAT. In its review of district documents, FCMAT found that some reports and spreadsheets had been developed by previous staff members, but that current staff do not use them. The spreadsheets include pieces of information but are not comprehensive, and some appear to be one-time snapshot documents.

The district provided FCMAT with a summary of bond measure expenditures for 2020-21; however, the information was not presented by project in a readily accessible format. It is a best practice to use separate account codes, such as a resource code, in Fund 21 (building fund) for each bond measure project to enable easier tracking of project budgets, revenues, expenditures and remaining balances.

The district did not provide a master program budget that shows the beginning and ending balance of Measure C since the beginning of the bond measure. A master program budget should contain the following categories:

- All funding/revenue sources — past, current and projected, starting with passage of the bond measure and continuing through program completion.
- Each project — with original budget, revised budget, expenditures and percentage of budget completion.
- Program costs — programwide costs that should not be charged to specific projects, including legal services for items such as lease-leaseback agreement templates or bid document development for the program, community outreach, some citizens' bond oversight committee (CBOC) costs, development and maintenance (either in-house or contracted out) of the budget and expenditure reports and DSA noncertified legacy project closeout activities.
- Major unforeseen reserve/contingency — percentage of total program budget (e.g., 5%) for unforeseen costs such as major termite and dry rot damage not already found, claims and lawsuits, and hazardous materials mitigation not anticipated.
- Construction cost escalation (inflation) — developed by adding anticipated inflation to every project expected to have a construction contract awarded that year. Inflation compounds on future projects for every year prior to the start of construction.
- Program remaining balance — which should be a positive number. A negative number means that the program is over budget.

The district did not provide budget and expenditure reports: one for each project and one for programwide expenditures. Overall program costs are often left out of districts' bond program planning. However, there are costs for overall bond program activities not associated with any one specific project, which are also appropriately charged to the bond and need to be included in the master program budget, such as those program costs listed above.

The budget and expenditure reports should include all budgets, costs and contingencies. Contingencies include the following:

- Construction contingency (i.e., change orders) — for example, 10% of each project construction budget.
- Project contingency — typically 15% of the above construction contingency (i.e., 15% of the 10%). This represents the soft costs associated with changes in construction.
- Owner's contingency — for example, 1% of the hard construction budget.

The master program budget and all project and programwide budget and expenditure reports should be updated monthly for maximum ability to respond to unexpected costs, budget overages, and issues such as changes in budget assumptions. These reports are relatively simple to maintain and update using Excel spreadsheets. A best practice is for an accounting position in the Facilities and Planning Department to complete the reports, with at least two people cross trained to ensure that the reports are updated in a timely manner when employees are absent or leave the district.

Project and programwide budget and expenditure reports can be used for planning and communication. A best practice is to include the reports in all CBOC meeting agendas and post them on the district's website under a CBOC link. The master program budget is also an effective communication item for board meetings (a sample master program budget and programwide and project budget and expenditure report templates are included in the appendix of this report).

During FCMAT's fieldwork, the director of facilities and planning/transportation had been in the position only for approximately two months and did not yet appear to have specific knowledge about the overall Measure C Program, including information about project budgets and expenditures, the list of current projects, or the plan for future projects. Other staff members provided FCMAT with various outdated spreadsheets and reports that appear to be snapshots in time and include information about various projects, but ongoing and comprehensive reports that show all projects, budgets, encumbrances or commitments, expenditures, and the remaining balance for each project were not provided. Partial and incomplete lists create confusion and lack of clarity about projects funded by Measure C and make review and evaluation of the projects difficult to complete.

Project Update Reports were provided to FCMAT; the most recent of which was dated September 10, 2021. These reports include partial information about various projects and are sorted by the engineering or planning technician assigned to the projects. It is unclear whether these are one-time snapshot documents, whether and how frequently they are updated, and who sees and uses them to monitor the facilities program.

The Project Update Reports included a variety of construction projects as well as nonconstruction projects, such as upgrading the 1A site diagrams in electronic format and leading the effort to update and obtain board approval for the School Facilities Needs Analysis. Most of the projects listed did not state their funding source(s) and varied in the cost and budget information provided. Spaces were provided for project budget, construction budget, cost estimate and contract amount, but not all information was included for each project. The costs and budgets were shown in lump sums, and no backup documents were provided to indicate how they were derived. Because of the lack of documentation provided for each Measure C project, FCMAT was unable to determine if the district tracks project budgets and expenditures adequately.

A September 28, 2021 board presentation included the following list of projects funded by Measure C:

- Madison Portable Replacement (in progress)
- Adams Portable Replacement (in progress)
- Chavez Athletics (Fields Only) (in progress)
- Tyler Modernization (in progress)
- Fillmore Portable Replacement (not started)
- Edison High School Minor Demolition and Field Work (not started)

A comparison of the board report to the Project Update Reports found the following:

- Of the four in-progress projects in the board presentation, FCMAT was not provided with a Project Update Report for the Chavez Athletic Fields Project, so it is unknown how or if this project is tracked.
- The Project Update Reports list the Tyler Modernization Project as two phases: Tyler Alternation and Tyler Kitchen; however, the two separate phases are not listed in the board presentation.

The board presentation included the following Bond Program Financial Summary:

Funds Summary	Funds	Notes
Total Bond Measure E/C Cash Available for Projects as/of Sept. 1	\$10.9 Mil.	
Total Amount Needed to Complete	(\$94.9 Mil.)	
Estimated Budget Short-Fall to complete Bond Projects	\$83.9 Mil.	
Current Drawdown from Measure C (Sept. 2021 – Board Resolution)	\$98 Mil.	(Maximum Drawdown based on debt capacity)
Total Cash Remaining after Drawdown	\$14 Mil.	(Excludes Edison HS minor Demo and Field Work)

The above table lacks some context and detail regarding Measure C funds and projects. For example, the “Total Amount Needed to Complete” is unclear regarding which projects are included in the \$94.9 million. The term “Current Drawdown” is used rather than the more standard term “issuance,” which may be confusing to some readers. The table does not include the first issuance of \$30 million, so readers are not made aware of how much bonding capacity remains in Measure C.

As of September 2021, there had been one issuance of \$30 million (Series A) for Measure C. Bond issuances are the actual amounts of cash available to spend on all project costs, including both hard costs (e.g., construction) and soft costs (e.g., architect, inspectors, testing and project management). At the time of FCMAT’s fieldwork, the district was planning a second issuance, Series B, for \$98 million. It appears that this funding would be used to pay for Measure C contracts that have been awarded and are in progress. However, best practice is to not award contracts until there is sufficient cash to pay for them.

Following the second issuance of \$98 million, the board presentation indicates that the district will be at its maximum debt capacity; therefore, it is unknown when the remaining \$28.38 million in bonding capacity may be issued. Thus, it is important to plan and budget projects for the reduced amount of available funding. This may entail delaying, deleting or reducing the scope and cost of projects.

FCMAT was not provided with the details on all contracts for Measure C projects, so the total cost of each project is unknown. Contracts and/or contract amounts awarded as part of the planning and design phases of the projects — such as architect, engineers, environmental services consultant, state funding consultant (if applicable) and legal services — were not included in documents provided by the district. However, the Project Update Reports show that construction contracts alone exceed the cash available from the Series A

bond issuance. For example, the following two projects have active construction contracts that have been approved by the board for which construction costs alone total more than the \$30 million from Series A issuance.

**Projects Reported to the Board (9/28/21) to be Funded from Measure C  
(as of end of September 2021)**

Active Construction Contracts

Madison Portable Replacement Project Construction Contract*	\$20,581,945
Adams Portable Replacement Project Construction Contract*	\$19,187,542
Total Construction Contracts Approved	\$39,769,487

\*Amendment #1 to Lease-Leaseback Agreements

The lease-leaseback agreement amendments for the construction portion of work were approved by the board for the full amounts. The requisition requests (dated August 11, 2021) for purchase orders for Madison and Adams were for partial amounts and state, "Partially funded - remaining balance of \$8,581,945.43 to be added to PO at a later date" and "PARTIALLY FUNDED, REMAINING BALANCE OF "\$7,128,652.00" TO BE ADDED TO PURCHASE ORDER AT A LATER DATE," respectively. The Madison requisition request was for \$12,019,800, and Adams was for \$12.0 million.

Because the board has approved the entire \$39,769,487 in contracts for these two projects, the district is liable for payment of the entire amount, not just the partial amounts listed in the requisition requests for purchase orders. Because this exceeded the cash available from Measure C issuances at the time of the board presentation, the district may have needed to find alternate funding sources to pay for these contracts. No evidence was provided showing that the district has applied for state facilities funding or has other alternative funding sources for the current Measure C projects.

The district's 2021-22 Fund 21 Cash Flow Projections spreadsheet appears to include actual monthly expenditures but does not include the monthly projections that are necessary for planning. A monthly cash flow projection that is maintained regularly would show projected cash shortfalls and would allow the district to plan projects proactively and ensure cash is available to pay for them.

FCMAT compiled the project budget and contract information provided in the Project Update Reports for all Measure C projects on one page. However, the table below provides summary total amounts only, because the district did not provide budget details for each project. The table includes only those projects that are either in the board presentation or in the Project Update Reports as current Measure C projects. It does not include other funding sources because the Project Update Reports do not show that information, and it does not include future projects because no list of future projects was provided to FCMAT.

**Projects Funded by Measure C, per Board Presentation, September 28, 2021  
Estimated and Actual Construction and Total Budgets and Costs**

Project Name	Construction Budget	Construction Cost Estimate	Difference between Construction Budget and Cost Estimate	Percent Over or Under Budget	Construction Contract	Difference between Construction Budget and Contract	Percent Construction Contract Over or Under Budget	Total Project Budget	Total Project Cost	Difference between Total Project Budget and Cost
Madison Portable Replacement	\$17,895,401	Not Listed	Unknown	Unknown	\$20,581,945	\$2,686,544 over budget	15% over budget	\$26,381,000		
Adams Portable Replacement	\$22,970,320.93	\$11,146,099 (2008 listed)	\$11,824,221	106% over 2008 cost estimate	\$19,187,542	\$3,782,779 under budget	16% under budget	\$24,865,295		
Chavez Athletic Fields	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	\$13,900,000		
Tyler Alteration (Modernization – Phase I)	\$15,817,750 (originally listed as a Measure E project)	\$20,477,916	\$4,660,166	29% over budget	Forthcoming October 2021	TBD	TBD	\$19,052,101.35		Unable to determine total project cost and difference between total project budget and cost for all projects based on information provided.
Tyler Kitchen (Modernization)	TBD	TBD	Unknown	Unknown	TBD	TBD	TBD	\$945,648.38		
Fillmore Portable Replacement	Not included in a Project Update Report (listed as a Measure E Project in 2020)	Unknown – no costs or budgets listed in Project Update Reports.								
Edison HS Minor Demolition and Field Work	Not included in a Project Update Report	Unknown – no costs or budgets listed in Project Update Reports.								
<b>Total</b>	\$56,683,471.93	\$31,624,015	\$39,769,487					\$85,144,044.73		

Project Update Report definitions:  
 Project Budget – Total budget assigned to total project  
 Construction Budget – Budget assigned to construction value only  
 Cost Estimate – Estimated construction cost  
 Contract Amount – Construction cost contract amount

Sources: Project Update Reports, September 2021  
 Chavez Athletic Fields – Bond Program Accounting spreadsheet, May 14, 2020

As shown in the above table, some budgets are specific (down to the cents). This is not typical and makes it appear that the amount listed as the budget may be actual cost. For example, the construction budget for the Adams Portable Replacement Project is \$22,970,320.93 rather than a rounded budget figure. Therefore, it is unclear if all staff are using the same definitions for the different types of cost estimates and budgets.

Both the Tyler Alteration (Modernization – Phase I) and the Madison Portable Replacement Project show that they are significantly over budget in the construction cost alone, not including soft costs. However, it is unclear whether the district has a process to reconcile this by doing one or both of the following:

- a) Deleting or reducing the scope of projects
- b) Deleting or reducing the size of future projects

The Adams Portable Replacement Project construction cost estimate is from 2008. The difference between the 2008 cost estimate and the construction budget shown on the Project Update Report is 106%, and the Project Update Report does not include a recent cost estimate.

Neither the board presentation nor the Project Update Reports provide sufficient detail to adequately monitor the budgets and expenditures for Measure C projects.

Other future projects are included in the Project Update Reports, but no funding sources are indicated. Therefore, it is impossible to determine whether they should be included in the list of Measure C projects and in the program budget and expenditure tracking. These include the following:

Stagg High School Gym Heating, Ventilation and Air Conditioning (HVAC) Replacement Project — Listed as waiting for funds.

Stagg High School Portable Replacement Project — No timeline or source of funds listed.

Worknet Building (new district office) Project — Is an active project. Source of funding is not listed on the Project Update Report.

Franklin Welding Lab Project — Career technical education program facility. Source of funding is not listed on the Project Update Report.

Stagg High School Livestock Program — No budgets or cost estimates listed, but the Project Update Report states that the architect is in preliminary design.

George Bush Elementary School Slab Upheaval – The project description in the Project Update Report indicates soil conditions are causing heaving and damage to building foundations, floors, interior and exterior finishes. The Project Update Report states:

This project has undergone investigation with reports and recommendations received. Total time involved to mitigate and repair is three (3) years. The first phase consists of placing a concrete footing around the structures to halt water penetration to the foundation. After this is complete, the structures need two (2) years for the foundation to settle, then repairs can be made.

The funding source is not included, but \$1.8 million is listed as the contract amount “(not including soft costs).” There is no description of the cost estimate for future phases, including for repair and possible replacement to building foundations, floors and finishes, which are possible major scopes of work.



A facilities project becomes a project long before construction starts. Once staff get approval beyond conceptual planning, a project budget and expenditure report can be created and populated with budget amounts. In addition, all projects need to be tracked and monitored.

Individuals FCMAT interviewed indicated that the district recently hired consultants to provide bond program accounting software and to review processes and procedures in the Facilities and Planning Department. However, these services were not yet complete at the time of FCMAT's fieldwork. Millions of dollars have been committed for facilities projects, and it is imperative that the district update all project budgets and expenditures immediately and routinely monitor them to ensure the information is current. It is best practice to correct inadequate program implementation and monitoring as soon as possible rather than wait for a consultant's report.

## **Citizens' Bond Oversight Committee**

Proposition 39, a state referendum passed in 2000, requires school districts to perform certain accountability procedures to pass a bond with 55% voter approval instead of the super-majority two-thirds approval (66.67%). Districts can choose whether they wish to conduct a Proposition 39 or two-thirds approval bond election. Proposition 39 requires districts to demonstrate that projects are done in a cost-effective and cost-efficient manner and conduct annual performance and financial audits. This allows the board, administration, employees, parents, students and the public to have confidence that taxpayer money is spent wisely, without waste and without malfeasance or fraudulent activity.

Districts that have passed Proposition 39 bond measures are required by law (Education Code Sections 15278-15282) to have an active citizens' bond oversight committee. A CBOC is required to meet at least once a year and to provide an annual report to the public. The committee may also review the annual performance and financial audits and engage in other activities as listed in the Education Code. Measure C is a Proposition 39 bond; however, the district does not have a CBOC, and interviews indicated that the district has not had one since 2017 or 2018. No CBOC meeting agendas, minutes or reports were provided to FCMAT or posted on the district's website. Therefore, it is unclear when or if there was a legally constituted CBOC for 2018 Measure C or previous Proposition 39 bond measures. In addition, performance and financial audits for 2018 Measure C were not provided to FCMAT or posted on the district's website.

Interviews indicated that there is no CBOC because the district has had difficulty getting committee members. Although it has become challenging in some districts to find community members interested in devoting their time and effort to a CBOC, FCMAT saw no evidence of active recruitment for committee members beyond a call for volunteers on the Facilities and Planning Department link of the district's website. An active recruitment effort includes developing an application form and submittal process, holding interviews, and strategically recruiting members in all required CBOC categories. Recruitment efforts should go beyond advertising on the district's website, social media and other advertising platforms: they should include personal outreach efforts by board members, school principals, and the superintendent to senior citizens' organizations, county taxpayer organization(s), local business leaders, district parents, and parent-teacher organizations.

It is best practice to hold CBOC meetings even if the minimum required seven members cannot be found. Agenda items, including budget and expenditure reports, project progress reports and awarded contracts, can still be discussed and posted on the district's website to provide accountability and transparency. The absence of an active CBOC has helped cause the lack of communication and reporting to the board and public about Measure C.

## Facilities and Planning Department Staffing

The director of facilities and planning/transportation oversees the Facilities and Planning, Maintenance and Operations, and Transportation departments. Because of numerous management position vacancies throughout the district, the director was also helping to oversee the Purchasing/Warehouse Department at the time of FCMAT's fieldwork. Such a broad span of control does not allow adequate time for the director to supervise the Facilities and Planning Department. Staff meetings were reported to be informal, with no written agendas, and it is unclear whether the Project Update Reports are used in the meetings.

The department includes two engineering technicians and two planning technicians; however, interviews did not provide a clear indication of the difference between the two positions' project assignments, roles, or responsibilities. At the time of FCMAT's fieldwork, two key planning management positions (planning manager and construction manager) had been eliminated. The lack of comprehensive knowledge of a plan for the Measure C Program, lack of maintenance of databases and spreadsheets, and lack of tracking and monitoring of budgets and expenditures are all indicators that the Facilities and Planning Department may be inadequately staffed or that employees have not been assigned responsibilities for, and/or may not have experience in, planning functions.

The Facilities and Planning Department has experienced significant staff turnover. The department is in a transition period with a new director, the loss of key positions, and lack of management staff to adequately oversee the responsibilities of planning and construction. This appears to have resulted in a lack of communication and cohesiveness within the department. As discussed previously, the district has hired a consultant to perform an evaluation of the Facilities and Planning Department, which is to include a review of the department's organizational structure and staffing.

## Procurement

Interviews indicated a misconception about the need for board approval or ratification of contracts, specifically a misunderstanding that contracts do not have to be approved or ratified by the board. Board Resolution No. 21-06, Resolution to Update the Delegation of Power for Signing Contracts, adopted on July 27, 2021, delegates the authority to sign contracts to specific individuals and includes the following provisions:

WHEREAS, the Governing Board of the Stockton Unified School District may delegate the function to sign contracts to an authorized agent or agents, pursuant to Education Code, section 17604; and

WHEREAS, it is understood that Education Code Section 17604 provides, in part, that no contract made pursuant to the delegation and authorization shall be valid or constitute an enforceable obligation against the district unless and until the same shall have been approved or ratified by the governing board, the approval or ratification to be evidenced by a motion of the board duly passed and adopted . . .

Education Code Section 17604 states the following:

Wherever in this code the power to contract is invested in the governing board of the school district or any member thereof, the power may by a majority vote of the board be delegated to its district superintendent, or to any persons that he or she may designate, or if there be no district superintendent then to any other officer or employee of the district that the board may designate. The delegation of power may be limited as to time, money or subject matter or may be a blanket authorization in advance of its exercise, all as the governing board may direct.

**However, no contract made pursuant to the delegation and authorization shall be valid or**



**constitute an enforceable obligation against the district unless and until the same shall have been approved or ratified by the governing board, the approval or ratification to be evidenced by a motion of the board duly passed and adopted.** In the event of malfeasance in office, the school district official invested by the governing board with the power of contract shall be personally liable to the school district employing him or her for any and all moneys of the district paid out as a result of the malfeasance.

[Emphasis added.]

Therefore, if contracts are not taken to the board for either proactive approval or retroactive ratification, the contracts are invalid and do not constitute an enforceable obligation against the district.

For architects, engineers and construction management firms, a qualifications-based process is required by Government Code Sections 4525 and 4529.12. Based on information provided by the district, a qualifications-based process was used for its current pool of architects.

It is also a best practice to procure the professional services of certain other consultants through a qualifications-based selection process. This process can include the use of a Request for Qualifications (RFQ) or Request for Proposal (RFP), or, minimally, can include informal discussions with more than one vendor, to provide the ability to compare and contrast various firms and services. However, the district is not consistent in its use of a qualifications-based selection process. The district's Administrative Regulation and Exhibit 3600, Consultants, require use of the district's Consultant Utilization Form for all non-instructional consultants. The form is to be included in the board agenda item recommending use of the consultant.

The district recently hired a firm to provide a financial management and bond accounting and reporting system, including installation, set up, training and monthly consulting services. However, FCMAT found no evidence of a qualifications-based selection process for these services, and the district did not follow its policies by requiring the completion of its Consultant Utilization Form, which provides information on qualifications, reasons for needing the service, and funding source. The district also recently hired a firm to provide an evaluation of the Facilities and Planning Department. FCMAT found no evidence of a qualifications-based selection process for these services; however, the completed Consultant Utilization Form was included in the board agenda item regarding using the consultant.

## Recommendations

*The district should:*

1. Review the recommendations provided in the March 2008 Implementation Plan and include them as part of a long-range facilities master plan and in short-term year-to-year activities.
2. Develop a comprehensive long-range facilities master plan that covers 10 years.
3. Develop a long-range and short-term implementation plan.
4. Use a separate resource code in Fund 21 for each bond project.
5. Immediately develop a master program budget, a programwide budget and expenditure report, and individual project budget and expenditure reports for Measure C and all other active projects. Assign an employee in the Facilities and Planning Department to update these documents monthly, and ensure other employees are cross trained to maintain and update the reports. Once these documents are developed, discontinue the use of the Project Update Reports.

6. Consider completing a master program budget for each previous bond measure to create a continuous flow of information that provides an understanding of how the facilities program has been implemented.
7. Use the master program budget and programwide and project budget and expenditure reports at all CBOC meetings.
8. Provide frequent and more detailed board presentations of the Measure C Program. To avoid unnecessary effort, the master program budget format can be used for board presentations.
9. Ensure that cash is available to pay for all active projects. Complete monthly cash flow projections that include all funding sources used for facilities projects. Ensure that the projections are updated monthly and include prior months' actuals and estimated monthly projections for the term of the program.
10. Actively recruit members and form a CBOC for Measure C as soon as possible.
11. Update its website to include a link for Measure C, and post all CBOC meeting agendas, minutes and reports on that webpage. Consider including photographs of construction projects (before and after photos are very effective) and narrative reports with appealing graphics to help communicate about the Measure C Program.
12. Conduct annual, independent performance and financial audits for Measure C as required, and post them to its website.
13. Reduce the number of departments the director of facilities and planning/transportation oversees and/or is helping to oversee.
14. Ensure the Facilities and Planning Department is adequately staffed with qualified, experienced individuals.
15. Comply with Board Resolution No. 21-06 and Education Code Section 17604 by obtaining board approval or ratification of every contract. Work with its legal counsel to determine if any prior contracts need to be presented to the board for ratification.
16. Consistently follow Administrative Regulation 3600, and use a qualifications-based selection process for all consultants.

# Appendices

**Appendix A: Sample Facilities Priorities Template**

**Appendix B: Sample Master Program Budget Template**

**Appendix C: Sample Programwide Budget and Expenditure Report Template**

**Appendix D: Sample Project Budget and Expenditure Report Template**

**Appendix E: Study Agreement**

# Appendix A: Sample Facilities Priorities Template

## Sample Guidelines for School Renovation Funds

### Priority 1--Health and safety issues

#### Examples:

- Restroom repairs
- Fire and intrusion alarms, emergency lighting, exit signage
- Improperly operating heating and ventilation systems
- Badly cracked walkways
- Exposed fluorescent lamps
- Asbestos abatement
- Lead paint abatement

### Priority 2--Building shell integrity

#### Examples:

- Roof replacement
- Deteriorated and leaking windows
- Exterior paint and wall finishes
- Exterior doors and locks
- Dry rot and termite repair

### Priority 3—ADA compliance

#### Examples:

- Path of travel on campus
- Door thresholds and hardware
- Restroom modifications

### Priority 4--Classroom interior renovations

#### Examples:

- New marker boards and tackable wall surface
- Interior paint
- Ceiling tiles
- Cabinet repair/replacement
- Plumbing repairs/replacement
- New floor covering
- New window coverings
- New light fixtures

**Priority 5—Technology upgrades and low-voltage systems**Examples:

- Additional electrical outlets & electrical system upgrades for computers
- Conduits and cabling for computer networks and distributed video
- Upgraded telephone/intercom/clock systems
- Upgraded fire and intrusion alarm systems

**Priority 6—Mechanical, electrical, and plumbing infrastructure upgrades**Examples:

- New heating and air conditioning systems
- New electrical service and distribution
- New plumbing fixtures and piping as necessary

**Priority 7—Restroom renovation**Examples:

- New toilet partitions
- New ceramic tile floors and wainscot
- New plumbing fixtures
- New accessories and mirrors

**Priority 8--Renovation & new construction in support of educational program**Examples:

- Adaptive re-use of existing spaces for new program
- New & renovated science labs
- New and renovated theaters
- Libraries
- Magnet programs, ROTC, etc.

**Priority 9—New and Renovated Support spaces**Examples:

- Administration offices
- Teachers' lounge/workroom
- Storage
- Janitorial

**Priority 10—Site infrastructure**Examples:

- Sewer, water and gas lines
- Fire hydrants and access roads and gates
- Provision for future relocatable classrooms or other expansion

**Priority 11---Renovation & new construction in support of social service programs**Examples:

- Healthy start clinics
- Counseling/career centers
- Family learning centers

**Priority 12--Athletic/Co-curricular program support facilities**Examples:

- Gyms/locker rooms
- Swimming pools
- Tracks
- Stadium lighting & seating

**Priority 13—Site landscape and hardscape**Examples:

- Parking lot repair and repaving
- Hardcourt repair and resurfacing
- Concrete walkway repair
- Irrigation system repair and replacement
- Landscape repair and replacement
- Outdoor eating areas
- Planting areas

# Appendix B: Sample Master Program Budget Template





# **Appendix C: Sample Programwide Budget and Expenditure Report Template**

XXXX DISTRICT PROGRAMWIDE B/E		DATE: XXXXXXXX EXPEND THRU XXXXX				LOCATION CODE:				OPSC APPLICATION NO:			
		Budget Description	Preliminary Budget	Budget Modifications	Current Budget	Original Contract	Approved Changes	Pending Changes	Current Commitment	Expensed To Date	Balance Remaining of Budget		
100.0	<b>Site Costs</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Acquisition Costs												
	Purchase												
	Relocation												
	Escrow/Title/Legal Fees												
	Bond/Financing Costs												
	Special Insurance												
	Property Appraisal												
	Special Studies												
	Toxic Study												
	CEQA												
	Geotechnical												
	Geological Hazard												
	Topographical Survey												
	Relocation Consultant												
	Site/Civil Engineer												
	Underground Locating												
	Aeronautical Survey												
	Demolition - Existing Features												
	Envrn. Clean-up / Disposal												
	Miscellaneous Site Costs												
	<b>Division Subtotal</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
200.0	<b>District and Agency Costs</b>												
	DSA Plan Check Fees												
	CDE Plan Check Fees												
	Div of Toxic Substance Control												
	Legal												
	County/City/Utility Fees												
	Electrical												
	Sewer												
	Storm Drainage												
	Water												
	Gas												
	Telephone												
	Cable Television												
	Other Entitlements/Mitigations												
	CEQA Filing Fee												
	Other Agencies												
	Miscellaneous Agency Costs												
	<b>Division Subtotal</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
300.0	<b>All Consultants</b>												
	Programming and Planning												
	Architect/Engineer												
	Specialty Consultant												
	Project Mgmt												
	Legal												
	Low Voltage Design												
	Community Outreach												
	HazMat Consultants												
	Design												
	Monitoring												
	Miscellaneous Consultant Costs												
	<b>Division Subtotal</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

XXXX DISTRICT PROGRAMWIDE B/E				DATE: XXXXXXXX EXPEND THRU XXXXX LOCATION CODE:				OPSC APPLICATION NO:			
BID/TRADE CODE	OBJECT CODE	Budget Description	Preliminary Budget	Budget Modifications	Current Budget	Original Contract	Approved Changes	Pending Changes	Current Commitment	Expensed To Date	Balance Remaining of Budget
400.0		<b>Bid Costs</b>									
		Printing and Distribution								\$	
		Advertisements & Notices								\$	
		Miscellaneous Bid Costs								\$	
		<b>Division Subtotal</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$
500.0		<b>Construction Costs</b>									
		Site Contractor								\$	
	6200	General Contractor								\$	
		General Contractor								\$	
		Change Order #1									
		Change Order #2									
		Energy Contractor								\$	
		Haz Mat Contractor								\$	
		Specialty Contractor								\$	
		Specialty Contractor								\$	
		Low Voltage	\$	\$	\$	\$	\$	\$	\$	\$	\$
		<b>PLACEHOLDER LOW VOLTAGE</b>									
		Fire Alarm									
		Assisted Listening									
		Data									
		Telephone									
		Intercom									
		Clocks and Bells									
		Intrusion									
		Cable TV									
		EMS									
		Digital Video Security									
		Video Media									
		FIDS									
		Relocatables									
		Owner Furnished Materials									
		Miscellaneous Construction									
		<b>Division Subtotal</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$
600.0		<b>Construction Support</b>									
		Inspection								\$	
		Testing								\$	
		Survey Controls								\$	
		Security								\$	
		Construction Management								\$	
		Miscellaneous Constr Support								\$	
		<b>Division Subtotal</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$
700.0		<b>Furniture &amp; Equipment</b>									
		Furniture & Equipment Design								\$	
		F&E-Non-Capitalized								\$	
		Non-Technical Supplies									
		Technical Supplies									
		F&E-Non-Capitalized - Non-Tech									
	@\$xxxx/STUDENT	F&E-Non-Capitalized - Tech									
		F&E-Capitalized	\$	\$	\$	\$	\$	\$	\$	\$	\$
		F&E-Capitalized - Non-Tech									
		F&E-Capitalized - Tech									
		Library Materials								\$	
		Specialty								\$	
		Miscellaneous F&E Costs								\$	
		<b>Division Subtotal</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$

XXXX DISTRICT PROGRAMWIDE B/E										DATE: XXXXXXXX	EXPEND THRU XXXXX	LOCATION CODE:	OPSC APPLICATION NO:
BID/TRADE CODE	OBJECT CODE	Budget Description	Preliminary Budget	Budget Modifications	Current Budget	Original Contract	Approved Changes	Pending Changes	Current Commitment	Expended To Date	Balance Remaining of Budget		
800.0		<b>Miscellaneous Project Costs</b>											
		Interim Housing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
		Interim Housing Set-Up											
		Interim Housing Lease											
		Moving and Storage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
		Moving											
		Storage											
		Packing											
		Force Account Labor											
		Systems Start-Up / Training											
		M&O Costs											
		Building and Grounds Costs											
		Waste Disposal											
		Miscellaneous Project Costs											
		<b>Division Subtotal</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
900.0		<b>Contingencies</b>											
		Construction Contingency @10% Hard											
		Usage of Construction Contingency C.O. #1											
		Usage of Construction Contingency C.O. #2											
		Usage of Construction Contingency Specialty Contractors											
		Project Contingency @ 15% CC above											
		Owner Contingency @ 1% Hard											
		<b>Division Subtotal</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
		<b>TOTAL</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
		<b>CHANGE FROM (DATE -- Previous) PROJ BUDGET</b>			\$ -								
		<b>CHANGE ORDER/SCOPE DETAIL:</b>											
		CHANGE ORDER #1 (date)											
		CHANGE ORDER #2 (date)											
		RELATED TO C.O. #2:											
		<b>TOTAL APPROVED AND FORTHCOMING CHANGE ORDERS:</b>			\$0								

# Appendix D: Sample Project Budget and Expenditure Report Template

XXX PROJECT		DATE: XXXXXXXX EXPEND THRU XXXXX LOCATION CODE:				OPSC APPLICATION NO:					
		BUDGET		COMMITMENTS		EXPENDITURES		EXPENDITURES			
BID/TRADE CODE	OBJECT CODE	Budget Description	Preliminary Budget	Budget Modifications	Current Budget	Original Contract	Approved Changes	Pending Changes	Current Commitment	Expensed To Date	Balance Remaining of Budget
100.0		<b>Site Costs</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		Acquisition Costs									
		Purchase									
		Relocation									
		Escrow/Title/Legal Fees									
		Bond/Financing Costs									
		Special Insurance									
		Property Appraisal									
		Special Studies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		Toxic Study									
		CEQA									
		Geotechnical									
		Geological Hazard									
		Topographical Survey									
		Relocation Consultant									
		Site Civil Engineer									
		Underground Locating									
		Aeronautical Survey									
		Demolition - Existing Features									
		Envrn. Clean-up / Disposal									
		Miscellaneous Site Costs									
		<b>Division Subtotal</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
200.0		<b>District and Agency Costs</b>									
		DSA Plan Check Fees									
		CDE Plan Check Fees									
		Div of Toxic Substance Control									
		Legal									
		County/City/Utility Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		Electrical									
		Sewer									
		Storm Drainage									
		Water									
		Gas									
		Telephone									
		Cable Television									
		Other Entitlements/Mitigations									
		CEQA Filing Fee									
		Other Agencies									
		Miscellaneous Agency Costs									
		<b>Division Subtotal</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
300.0		<b>All Consultants</b>									
		Programming and Planning									
		Architect/Engineer									
		Specialty Consultant									
		Project Mgmt									
		Legal									
		Low Voltage Design									
		Community Outreach									
		HezMat Consultants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		Design									
		Monitoring									
		Miscellaneous Consultant Costs									
		<b>Division Subtotal</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

XXX PROJECT		DATE: XXXXXXXX			EXPEND THRU XXXXX			LOCATION CODE:			OPSC APPLICATION NO:		
		Budget Description	Budget Modifications	Current Budget	Original Contract	Approved Changes	Pending Changes	Current Commitment	Expensed To Date	Balance Remaining of Budget			
400.0	<b>Bid Costs</b>												
	Printing and Distribution												
	Advertisements & Notices												
	Miscellaneous Bid Costs												
	<b>Division Subtotal</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
500.0	<b>Construction Costs</b>												
6200	Site Contractor												
	General Contractor												
	Change Order #1												
	Change Order #2												
	Energy Contractor												
	Haz Mat Contractor												
	Specialty Contractor												
	Specialty Contractor												
	Low Voltage												
	<b>PLACEHOLDER LOW VOLTAGE</b>												
	Fire Alarm												
	Assisted Listening												
	Data												
	Telephone												
	Intercom												
	Clocks and Bells												
	Intrusion												
	Cable TV												
	EMS												
	Digital Video Security												
	Video Media												
	FIDS												
	Relocables												
	Owner Furnished Materials												
	Miscellaneous Construction												
	<b>Division Subtotal</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
600.0	<b>Construction Support</b>												
	Inspection												
	Testing												
	Survey Controls												
	Security												
	Construction Management												
	Miscellaneous Constr Support												
	<b>Division Subtotal</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
700.0	<b>Furniture &amp; Equipment</b>												
	Furniture & Equipment Design												
	F&E-Non-Capitalized												
	Non-Technical Supplies												
	Technical Supplies												
	F&E-Non Capitalized - Non-Tech												
	F&E-Non-Capitalized - Tech												
	F&E-Capitalized												
	F&E-Capitalized - Non-Tech												
	F&E-Capitalized - Tech												





# Appendix E: Study Agreement



**FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM  
STUDY AGREEMENT  
March 26, 2021**

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Stockton Unified School District, hereinafter referred to as the district, mutually agree as follows:

**1. BASIS OF AGREEMENT**

The team provides a variety of services to local education agencies (LEAs). The district has requested that the team assign professionals to study specific aspects of the district's operations. These professionals may include staff of the team, county offices of education, the California Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this agreement.

In keeping with the provisions of Assembly Bill 1200, the county superintendent will be notified of this agreement between the district and FCMAT and will receive a copy of the final report. The final report will also be published on the FCMAT website.

**2. SCOPE OF THE WORK**

**A. Scope and Objectives of the Study**

1. Review the district's 2021-22 adopted general fund budget and use it as a baseline to develop an independent multiyear financial projection (MYFP) for the current and two subsequent fiscal years. The MYFP will be a snapshot in time of the district's current financial status. Make recommendations for expenditure reductions and/or revenue increases to help the district eliminate its structural budget deficit and maintain fiscal solvency.
2. Review the district's long-range facilities master plan and projects specified in the 2018 Measure C general obligation bond, evaluate the allocation of resources and completion of projects outlined in these documents, and make recommendations for improvements, if any.

**B. Services and Products to be Provided**

1. Orientation Meeting – The team will conduct an orientation session at the district to brief district management and supervisory personnel on the team's procedures and the purpose and schedule of the study.

2. On-site Review – The team will conduct an on-site review at the district office and at school sites if necessary.
3. Exit Meeting – The team will hold an exit meeting at the conclusion of the on-site review to inform the district of significant findings and recommendations to that point.
4. Exit Letter – Approximately 10 days after the exit meeting, the team will issue an exit letter briefly memorializing the topics discussed in the exit meeting.
5. Draft Report – Electronic copies of a preliminary draft report will be delivered to the district’s administration for review and comment.
6. Final Report – Electronic copies of the final report will be delivered to the district’s administration and to the county superintendent following completion of the review. Printed copies are available from FCMAT upon request.
7. Follow-Up Support – If requested by the district within six to 12 months after completion of the study, FCMAT will return to the district at no cost to assess the district’s progress in implementing the recommendations included in the report. Progress in implementing the recommendations will be documented to the district in a FCMAT management letter. FCMAT will work with the district on a mutually convenient time to return for follow-up support that is no sooner than eight months and no later than 18 months after completion of the study.

### 3. PROJECT PERSONNEL

The FCMAT study team may include:

<i>A. To be determined</i>	<i>FCMAT Staff</i>
<i>B. To be determined</i>	<i>FCMAT Consultant</i>
<i>C. To be determined</i>	<i>FCMAT Consultant</i>
<i>D. To be determined</i>	<i>FCMAT Consultant</i>

### 4. PROJECT COSTS

The cost for studies requested pursuant to Education Code (EC) 42127.8(d)(1) shall be as follows:

- A. \$800 per day for each staff member while on site, conducting fieldwork at other locations, preparing or presenting reports, or participating in meetings. The cost of independent FCMAT consultants will be billed at their actual daily rate for all work performed.
- B. All out-of-pocket expenses, including travel, meals and lodging.

- C. The district will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon the district's acceptance of the final report.

**Based on the elements noted in section 2A, the total not-to-exceed cost of the study will be \$51,600.**

- D. Any change to the scope will affect the estimate of total cost.

Payments for FCMAT's services are payable to Kern County Superintendent of Schools - Administrative Agent, located at 1300 17<sup>th</sup> Street, City Centre, Bakersfield, CA 93301.

## 5. RESPONSIBILITIES OF THE DISTRICT

- A. The district will provide office and conference room space during on-site reviews.
- B. The district will provide the following if requested:
1. Policies, regulations and prior reports that address the study scope.
  2. Current or proposed organizational charts.
  3. Current and two prior years' audit reports.
  4. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the district and sent to FCMAT in electronic format.
  5. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, where the district will upload all requested documents.
- C. The district's administration will review a draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report.

Pursuant to EC 45125.1(c), representatives of FCMAT will have limited contact with pupils. The district shall take appropriate steps to comply with EC 45125.1(c).

## 6. PROJECT SCHEDULE

The following schedule outlines the planned completion dates for different phases of the study and will be established upon the receipt of a signed study agreement:

Orientation:	to be determined
Staff Interviews:	to be determined
Exit Meeting:	to be determined
Draft Report Submitted:	to be determined
Final Report Submitted:	to be determined
Board Presentation:	to be determined, if requested
Follow-Up Support:	if requested

**7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK**

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the district and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a draft report and a final report. Prior to completion of fieldwork, the district may terminate its request for service and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the district does not provide written notice of termination prior to completion of fieldwork, the team will complete its work and deliver its report and the district will be responsible for the full costs. The district understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the district shall not request that it do so.

**8. INDEPENDENT CONTRACTOR**

FCMAT is an independent contractor and is not an employee or engaged in any manner with the district. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the district in any manner without prior express written authorization from an officer of the district.

**9. INSURANCE**

During the term of this agreement, FCMAT shall maintain liability insurance of not less than \$1 million unless otherwise agreed upon in writing by the district, automobile liability insurance in the amount required under California state law, and workers' compensation as required under California state law. FCMAT shall provide certificates of insurance, with Stockton Unified School District named as additional insured, indicating applicable insurance coverages upon request prior to the commencement of on-site work.

**10. HOLD HARMLESS**

FCMAT shall hold the district, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement. Conversely, the district shall hold FCMAT, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement.

**11. COVID-19 PANDEMIC**

Because of the existence of COVID-19 and the resulting shelter-at-home orders, local educational agency closures and other related considerations, at FCMAT's sole discretion, the Scope of Work, Project Costs, Responsibilities of the District (Sections I, IV and V herein) and other provisions herein may be revised. Examples of such revisions may include, but not be limited to, the following:

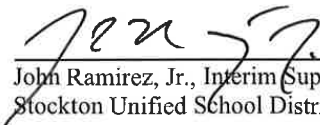
- A. Orientation and exit meetings, interviews and other information-gathering activities may be conducted remotely via telephone, videoconferencing, etc. References to on-site work or fieldwork shall be interpreted appropriately given the circumstances.
- B. Activities performed remotely that are normally performed in the field shall be billed hourly as provided as if performed in the field (excluding out-of-pocket costs).
- C. The district may be relieved of its duty to provide conference and other work area facilities for the team.

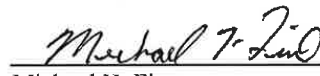
**12. FORCE MAJEURE**

Neither party will be liable for any failure of or delay in the performance of this study agreement due to causes beyond the reasonable control of the party, except for payment obligations by the district.

**13. CONTACT PERSON**

Name: Susanne Montoya, Chief Business Official  
Telephone: (209) 933-7005  
E-mail: [smontoya@stocktonusd.net](mailto:smontoya@stocktonusd.net)

 3/29/21  
John Ramirez, Jr., Interim Superintendent Date  
Stockton Unified School District

 March 26, 2021  
Michael H. Fine, Date  
Chief Executive Officer  
Fiscal Crisis and Management Assistance Team