

**AMENDED FINAL MINUTES
ALUM ROCK ELEMENTARY SCHOOL DISTRICT
2930 Gay Avenue
San Jose, CA 95127**

**MINUTES OF A SPECIAL MEETING OF THE BOARD OF TRUSTEES
of the Alum Rock Union School District
Held on Thursday, May 30, 2019, 5:30 p.m. at District Office, 2930 Gay Avenue, San
Jose, CA 95127
Meeting #18-18/19**

1. OPEN SESSION – CALL TO ORDER AND ROLL CALL

1.01 Call to Order / Roll Call / Pledge of Allegiance

President Linda Chavez welcomed everyone in the audience and called the Board Meeting to order at 5:31 p.m. Patricia Tovar called Roll Call followed by the Pledge of Allegiance.

Board Members Present:

Linda Chavez	President
Ernesto Bejarano	Vice-President
Dolores Marquez-Frausto	Clerk
Andres Quintero	Member (<i>arrived late at 6:23 p.m.</i>)
Corina Herrera-Loera	Member

Administrative and Support Staff Members Present:

Dr. Hilaria Bauer	Superintendent
Rene Sanchez	Assistant Superintendent, Instructional Services
Jess Serna	Interim Assistant Superintendent, Human Resources
Kolvira Chheng	Assistant Superintendent, Business Services
Patricia Tovar	Executive Assistant, Business Services

1.02 Announcement and Public Comments Regarding Items to be Discussed in Closed Session

President Linda Chavez announced all the Closed Session items (*2.01 thru 2.02*).

2.01 PUBLIC EMPLOYEE APPOINTMENT/EMPLOYMENT; and

2.02 CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION

There were no public comments at this time.

1.03 Adjournment to Closed Session

The Board recessed to closed session at 5:34 p.m. and will reconvene approximately in 30 minutes.

3. RECONVENE TO OPEN SESSION – DISTRICT OFFICE BOARD ROOM

3.01 Call to Order/Roll Call

President Linda Chavez called the meeting to order at 6:14 p.m. Patricia Tovar called roll call: all members present except Member Andrés Quintero.

3.02 Report of Action Taken in Closed Session

President Linda Chavez asked Superintendent Hilaria Bauer to report out. Superintendent Hilaria Bauer reported the appointment of Ms. Maribel Carrillo, effective June 10, 2019 under the following item:

- 2.01 Public Employee Appointment/Employment: Sr. Executive Assistant, Superintendent's Office with a 4-1 (Member Andrés Quintero absent).

MOTION #18-01 passed unanimously by consensus to appoint Maribel Carrillo as the Sr. Executive Assistant.

4. PUBLIC MEMBERS WHO WISH TO ADDRESS THE BOARD

4.01 Requests to Address the Board

President Linda Chavez opened the floor for public comments.

Public Comment:

Rita Minster , McCollam teacher

5. SUPERINTENDENT / BOARD BUSINESS

5.01 Board Budget Study Session

Assistant Superintendent Kolvira Chheng presented the Budget Session with the following agenda:

- **2018-2019 Adopted Budget Timelines and Assumptions**
- **2018-2019 Second Interim Budget Timelines and Assumptions**
- **Budget Mitigation Plan**
- **Future Outlook**

5. SUPERINTENDENT / BOARD BUSINESS (continued)

5.01 Board Budget Study Session

2018-2019 Adopted Budget Timelines and Assumptions-

On May 11, 2018, Governor Jerry Brown released his May Revision for the 2018-19 Budget;

On June 14, 2018, Alum Rock held a public hearing for its 2018-19 LCAP and Budget based on May Revision's assumptions;

On June 26, 2018, Alum Rock adopted its 2018-19 LCAP and Budget based on May Revision's assumptions;

On June 27, 2018, Governor Brown signed 2018-2019 Enacted Budget, which had some significant changes from the May Revision; and

The District's next budget update would be in December 2018-First Interim Report.

Key Revenue Assumptions Based on the May Revision was a one-time funding amount of \$3,342,524 and the one-time funding rate per ADA at 344.

Key Expenditure Assumptions are the following:

Not filling 44 Certificated positions to align with declining enrollment in 2018-2019 (average cost of teacher salary and benefits = \$125,000);

Not filling 40 Certificated positions to align with declining enrollment in 2019-2020;

Not filling 40 Certificated positions to align with declining enrollment in 2020-2021;

Savings of \$675K in Classified salaries and benefits in 2019-2020 to align with declining enrollment and district's needs; and

Savings of \$3.5M starting in 2019-2020 in contract services to align with declining enrollment and district's needs.

The ending balances regarding the Adopted Budget and MYP based on May Revision for Unrestricted in the General Fund for *2018-2019 Adopted \$7,299,094; 2019-2020 Projected \$4,231,295; and 2020-2021 Projected \$4,184,381.*

Key Changes from the Adopted Budget to First Interim:

First Interim due to the COE by December 15, 2018;

Adopted Budget was based on May Revision's assumptions;

First Interim was updated to include assumptions from the Enacted Budget's;

To reflect actual enrollment from projected enrollment;

To reflect decrease in One-Time Funding; and

To reflect staffing reduction not materialized.

Changes in Enrollment from the 2018-2019 Adopted Budget in April with 9,808 to the 2018-2019 First Interim in September with 9,626, of a difference of 182.

Clerk Dolores Marquez-Frausto asked for clarification on the one-time funding amount in the 2018-2019 Adopted Budget to the First Interim-Unrestricted General Fund data.

Assistant Superintendent Kolvira Chheng responded with yes this is a one-time funding. Also adds that the Governor provides assumptions in January and adjusts the budget in May (May

5. SUPERINTENDENT / BOARD BUSINESS

5.01 Board Budget Study Session (continued)

Revision). Superintendent Hilaria Bauer stated that other local districts also had to make cuts such as Franklin-McKinley School District (cut approximately \$8M).

Key Expenditure Assumptions:

Savings in 2019-2020 from not filling 40 Certificated positions to align with declining enrollment;

Savings in 2020-2021 from not filling 40 Certificated positions to align with declining enrollment;

Saving of \$454K in Classified salaries and benefits in 2019-2020 to align with declining enrollment and district's needs;

Saving of \$3.8M starting in 2019-2020 in contract services to align with declining enrollment and district's needs;

Savings of \$5.7M in 2019-2020 to be determined pending on outcome of SERP and Governor's January budget proposal; and

Savings of \$6.6M in 2020-2021 to be determined pending on outcome of SERP and Governor's January budget proposal.

Key Changes from First Interim to Second Interim:

Second Interim due to COE by March 15, 2019;

On January 10, 2019, Governor Newsom released his budget proposal for fiscal year 2019-2020;

Changes in COLA;

Reduction in STRS rate for 2019-2020 and 2020-2021;

District's consideration of SERP; and

On February 14, 2019, the District adopted Resolution No. 28-18/19 to eliminate various certificated positions.

****Member Andrés Quintero arrived at 6:23 p.m.****

Clerk Dolores Marquez-Frausto asked does the District list the Reserves out to the Board.

Assistant Superintendent Kolvira Chheng responded that not upfront/directly, but rather gets presented in the budget to the Board.

Clerk Dolores Marquez-Frausto asked if the one-time funding is going away.

Assistant Superintendent Kolvira Chheng responded that yes at this time.

2018-2019 Second Interim Budget Timelines and Assumptions-

Second Interim Key Expenditure Assumptions:

Savings of approximately \$5.6M in Certificated Salaries for 2019-2020;

Savings of approximately \$1.5M in Classified Salaries for 2019-2020;

Savings of approximately \$1.9M in Employee Benefits for 2019-2020;

5. SUPERINTENDENT / BOARD BUSINESS

5.01 Board Budget Study Session

Second Interim Key Expenditure Assumptions: (continued)

Savings of approximately \$1.6M in material and supplies for 2019-2020 to align with declining enrollment and district's needs;

Savings of approximately \$1.8M in contract services for 2019-2020 to align with declining enrollment and district's needs; and

Savings of approximately \$3.5M in Certificated Salaries for 40 FTEs in 2020-2021 to align with declining enrollment.

Budget Mitigation Plan–

Assistant Superintendent Kolvira Chheng continued with a chart that contained board approved Staff Reductions for Fiscal Year 2019-2020 the number of FTEs, Department, Bargaining Unit and Salary & Benefits. The total number of FTEs 86.9 and total salary & benefits \$7,710,047.00. Complete Mitigation Plan for FY 2019-2020 highlights: the SERP Savings of \$1.5M; COLA increase from 2.57% to 3.46% = \$813,783; Extended Day Programs \$600,000.

Clerk Dolores Marquez-Frausto asked is there annuity on the SERP Assumption.

Assistant Superintendent Kolvira Chheng responded there is and that is 3.2.

Clerk Dolores Marquez-Frausto asked what is Supplemental Concentration all Schools.

Assistant Superintendent Kolvira Chheng responded that Supplemental Concentration all Schools is based on the LCFF and LCAP regulations. The amount received in supplemental concentration dollars, the Districts can determine how much to allocate to certain programs. In the past, the District was able to calculate additional funding to school sites based on ADA, based on duplicate account because of declining enrollment, therefore we saw a need to reduce that number to align the allocation to the students we are serving, and this was done for each school.

Future Outlook –

On May 9, 2019, Governor Newsom released his May Revision for 2019-2020 Budget; Notable changes from January Proposal to May Revision include the following:

- COLA decreased from 3.46% to 3.26% for 2019-2020
COLA increased from 2.86% to 3.00% in 2020-2021
STRS rate decreased from 17.10% to 16.70% in 2019-2020;
- District will hold its public hearing for 2019-2020 LCAP and Budget on June 13, 2019 based on May Revision and reductions that have been approved by the Board;
- State Legislature is required to approve the 2019-2020 State Budget by June 15, 2019;
- District is scheduled to adopt its 2019-2020 LCAP and Budget on June 27, 2019; and
- Monitor the outcome of the Enacted Budget for 2019-2020

Member Andrés Quintero stated the COLA is not on something based on the past or contingent on the District, it's just a series of formulas.

5. SUPERINTENDENT / BOARD BUSINESS

5.01 Board Budget Study Session (continued)

Assistant Superintendent Kolvira Chheng responded that yes, it's the same for every district in the State of California. Superintendent Hilaria Bauer added that the COLA is based on specific revenues not on the total. i.e. If the District budget is \$100M, the COLA is not based on the total \$100M, it's on the specific revenue \$70M. Assistant Superintendent Kolvira Chheng stated that the COLA only applies to certain revenues.

Member Andrés Quintero thanked and stated that he appreciated Assistant Superintendent Kolvira Chheng and staff for all the hard work that went into the detailed report.

Vice-President Ernesto Bejarano thanked Assistant Superintendent Kolvira Chheng and agrees with the words of Member Andrés Quintero for all the hard work that went into the detailed reports; the work that we placed upon you above and beyond. (Directed question to Superintendent Hilaria Bauer.) *Is there any way that we could help the community understand how we than took the next steps to decide where we make the decisions that we need to make?*

Superintendent Hilaria Bauer responded for clarification to the question.

Vice-President Ernesto Bejarano asked what is the process and recommendation before us to make the reductions we had to make.

Superintendent Hilaria Bauer responded with a brief summary from beginning to end, starting when Assistant Superintendent Kolvira Chheng had mentioned. We had to talk to department heads and site administrators and in that process, we also were talking about the LCAP Community Forums; we needed to move it to bolder savings and adjustments to the budget. We needed to analyze all the different services that we provided the sites and look at all priorities. We had already realized that in terms of declining enrollment, we are going to have to be tight with the number of teachers we are bringing back for next year. We needed to cut the number of positions and that is one of the things that we recognized; the largest unit that took the hit was AREA, in terms of positions. Assistant Superintendent Kolvira Chheng mentioned we ended with 87 FTEs total positions just for AREA, just reiterating but half of those were teachers. After that, looking at them at a different thing that we offered at the sites because the savings needed to happen in salaries and benefits, because that's where you get the savings that needed to happen. Based on that, talking to the team, informing the community, we had a couple of budget meetings with the community. One at George, in addition to the LCAP Community Forums, and one here with the SPARC. Moving and explaining to them how we were identifying some of these areas. In a nutshell, hopefully this explains and identifies where we needed to make the cuts happen.

Vice-President Ernesto Bejarano commented that Assistant Superintendent Kolvira Chheng had talked about it and I also wanted to make sure that piece of it was called out. In addition, I also wanted to analyze the preliminary observation, part of Assistant Superintendent Kolvira Chheng's presentation, which is what I had recently requested from staff that they had provided. The information consisted of our enrollment vs the opening and proliferation of charter schools

5. SUPERINTENDENT / BOARD BUSINESS

5.01 Board Budget Study Session (continued)

in the district, so we can see what had been the impact with some data. Since the Charter Schools' began, opened up in numbers in 2008, started having 3, then 4, then 5, then 6 with an average enrollment year over year; negative enrollment was -2.75%. Every year the enrollment seems to have gone down almost 3% as charter schools increase, whereas prior to charter schools, a few years before, it looks like we had increased to 2% → 0.01% → almost 1%, and at the time I was with 2 charter schools. So when we had limited number of charter schools, we were holding steady, little bit enrollment, but as charter schools began to proliferate more, looks like we lost 3% to the previous years' enrollment. This is not to say I know enough about data and evaluation - we've had our challenges here on many fronts in the District, and need to seize that. There's at least a correlation that I see between the charter schools that opened up in the area and in our enrollment. When we look at our enrollment, it's a factor to consider. He pointed that out which this leads into our marketing, our economy, our Pre-K. He asked do you have or are aware of any similar trends.

Assistant Superintendent Kolvira Chheng responded that yes based on our enrollment projections, reducing 3% on the out years.

Member Corina Herrera-Loera thanked Assistant Superintendent Kolvira Chheng for the information. In addition, wanted to highlight that the budget will be passed on June 13th (Note: Assistant Superintendent Kolvira Chheng clarifies that the District will be having a public hearing on June 13th) and the Governor will be signing the final budget on June 15th (Note: Assistant Superintendent Kolvira Chheng clarifies that the Governor will be signing anytime between June 15th – 30th and reminded the Board that last year, the Governor signed on June 27th, which was one day after the District approved the budget).

Clerk Dolores Marquez-Frausto stated to have an earlier foresight. And asked the following questions how did we get to a \$14M deficit and what is your expert opinion in simple terms.

Assistant Superintendent Kolvira Chheng responded that many factors contributed to the District's planning enrollment; planning enrollment was a major factor, changes at the State level, what they promised us vs what they delivered, it can't be put in a nutshell to pinpoint. The Budget itself is a projection; it's very fluid. There's changes at the State level; there's changes at the Local level. It's up to the District to determine what those changes are and to make those appropriate adjustments necessary and we did that. In December when we looked at our budget, these are the changes that we are facing and asked ourselves, 'what steps do we need to take in order for us to bring the budget back to a balanced position'.

Member Corina Herrera-Loera clarified past comments that was aware of all the cuts, information, and going to the different LCAP meetings of the parents. Much of this information wasn't new to me, but moving forward, as mentioned in October, I think it'll help having the Study Session.

5. SUPERINTENDENT / BOARD BUSINESS

5.01 Board Budget Study Session

Vice-President Ernesto Bejarano commented that we need to consider the external factors that are impacting us. i.e. Charter schools, the direct correlation or causation. As a parent, I've not been very happy, and I have a 2nd daughter graduating and my Alum Rock parent days are coming to an end. In addition, families are shown only the negative and not the positive, why it's important to remember the external things that are happening and we keep an eye on the legislation.

5.02 May 23, 2019, State Audit Findings and Recommendations; Next Steps and Timeline for Addressing Audit Report Findings and Implementing Recommendations

Superintendent Hilaria Bauer introduces Mr. Rogelio Ruiz, Attorney at law with Rehon & Roberts, LLC, whom gives a brief presentation for the next steps and timelines for addressing the audit report findings and implementing recommendations. (2 handouts were distributed to the Board: Board Summary cover and State Audit Report-that contains all 25 findings).

Counsel Rogelio Ruiz states there are 25 findings, but the State Auditor has issued 22 separate specific recommendations in the areas of Operational and Financial Practices Not in Compliance with State Law or Best Practices, Governance, and Operational Practices Not in Compliance with District Policy and Other Requirements. In addition to 3 recommendations in other areas D.1, D.2, and D.3.

A.1-A.6 Operational and Financial Practices Not in Compliance with State Law or Best Practices

B.1-B.5 Governance

C.1-C.11 Operational Practices Not in Compliance with District Policy and Other Requirements

Counsel Rogelio Ruiz continued to state that in respect to the timelines per the State Auditors, there are 3 dates being requested:

July 2019 – Board training, Code of Conduct. (Counsel Rogelio Ruiz feels that those can be met since the Board has already addressed/started the training earlier this year);

August 2019 – Implementation; and

November 2019 – Balance and Response

President Linda Chavez requested an Ad-Hoc Committee for recommendation.

Member Andrés Quintero stated he's comfortable to have President Linda Chavez to represent as an Ad-Hoc Member for the entire Board that works with the Superintendent and legal counsel.

Member Corina Herrera-Loera commented that she agreed to have only the Board President represent.

5. SUPERINTENDENT / BOARD BUSINESS

5.02 May 23, 2019, State Audit Findings and Recommendations; Next Steps and Timeline for Addressing Audit Report Findings and Implementing Recommendations (continued)

Vice-President Ernesto Bejarano asked for clarification in reference to Section A.3 (Operational and Financial Practices Not in Compliance with State Law or Best Practices) to strengthen its ability to oversee district expenditures, coming up in August – monthly summary report. Last month, there was an item that I had requested to see a description of the many things around benefits. Assistant Superintendent Kolvira Chheng provided a long list of contracts. Would this be connected to this?

Superintendent Hilaria Bauer responded yes it is related in the sense that we need to bring more detailed information to the Board.

Vice-President Ernesto Bejarano asked is this specific one is total amount paid to each.

Assistant Superintendent Kolvira Chheng responded yes every month we provide the Board this report.

Vice-President Ernesto Bejarano asked Legal Counsel if the District is doing it the right way and not including my request but just showing the amount of vendors would that satisfy this A.3 item.

Counsel Rogelio Ruiz responded no because what the auditors are requesting and what most other Districts will do is there on the warrant report. There's also a line to indicate a general or provides some information regarding the purpose or type of services which are being paid for. i.e. On a warrant report, it would have, like for instance on Rehon & Roberts, a vendor code, amount being paid, a descriptor line, and that way the Board can keep track of that.

Vice-President Ernesto Bejarano stated that last month, we talked about certain thresholds of \$100K. My other question regarding *Monitoring of Contracts, Construction, and Project Management* is it only specific or are they really talking about that construction related contracts or broader requests.

Counsel Ruiz responded it should really be all contracts, including all service contracts, all private contracts should have some deliverable attached to them. And there really needs to be a way to monitor that the deliverables are actually being delivered and people are performing the contract terms.

Vice-President Ernesto Bejarano asked is there a standard on how these deliverables are being combined.

Counsel Ruiz stated it depends on the nature of the service and the goods that might be purchased (these generals sort of oversight responsibilities). There typically not built into board policy itself, but most frequently address either through administrative regulation to implement the board policy, or administrative bulletin developed by staff.

President Linda Chavez extends the meeting to 8:15 p.m.

Time is 7:30 p.m.

MOTION #18-02 by Member Andrés Quintero to extend meeting to 8:15 p.m. MOTION #18-02 was seconded by Member Corina Herrera-Loera.

MOTION #18-02 to extend meeting to 8:15 p.m. passed unanimously by consensus.

6. ADJOURNMENT

6.01 Board President Adjourns the Meeting

Member Andres Quintero proposed to adjourn the meeting at 7:45 p.m.

MOTION #18-03 *passed unanimously by consensus to adjourn the meeting.*

Respectfully submitted,


Clerk Dolores Marquez-Frausto
Board Clerk

HB/pt