

**APPROVED 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, July 27, 2017, 6:00 p.m. at the Alum Rock Union School  
District Office Board Room, 2930 Gay Avenue, San Jose, CA 95127  
Meeting #03-17/18**

**1. OPEN SESSION**

**1.01 Call to Order / Roll Call**

President Khanh Tran welcomed everyone in the audience. President Khanh Tran called the Board Meeting to order at 6:01 p.m. followed by Roll Call.

Board Members Present:

Khanh Tran	President
Dolores Marquez-Frausto	Clerk
Esau Ruiz Herrera	Member
Karen Martinez	Member

Board Member Absent:

Andrés Quintero	Vice-President
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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
Marie Sanchez	Sr. Executive Assistant, Superintendent's Office
Angel Rodriguez	Executive Assistant/Communications Support

## **1. OPEN SESSION** *(continued)*

### **1.01 Call to Order and Roll Call**

President Khanh Tran welcomed everyone in the audience. President Khanh Tran called the meeting to order at 6:01 p.m. followed by Roll Call.

President Khanh Tran announced that Member Esau Ruiz Herrera was the representative spearheading the FCMAT Response Report. Member Esau Ruiz Herrera gave an executive summary on the 55 separate recommendations but only focused and highlighted a few. He reported that the Board is concerned with the tone and breadth of the FCMAT report. The report makes sweeping allegations regarding the Board and District practices. The report does not acknowledge the best practices in place in the District. The Board understands there is room for improvement. Member Esau Ruiz Herrera reported that the Board is concerned about the FCMAT allegations of possible misconduct with conflicts of interest and the failure of FCMAT to present evidence of said allegations.

Member Esau Ruiz Herrera briefly highlighted on the following:

- Citizen's Oversight Committee and their relationship with Del Terra
- Detailed financial performance audit
- Bidding process
- District re-considering the relationship with Del Terra
- Possible termination of the Construction Management Contract
- Del Terra fulfilling its contractual obligations (request to be made by August 4)

## **2. PUBLIC MEMBERS WHO WISH TO ADDRESS THE BOARD**

### **2.01 Requests to Address the Board**

Public Comments:

1. Ray Mueller – COC Chair stated that the correct date that the COC presented its annual report on Measure J was May 12, 2016 and not 2017. He reported that Del Terra never provided the COC with the requested data. He reported that the COC has been struggling with only 4 members and not fully staffed with members. Lastly, he stated that the COC has been asking for better audit reports since 2014
2. Jeff Markham – Community member that commented that he was very concerned with the tone of the response on the first 5 pages. He commented that FCMAT is a professional state auditing agency. He also commented that FCMAT's assertions of fraud and mismanagement were correct. He also stated that Superintendent Jon Gundry had stated that he felt it was necessary to act quickly to contain potential damage. Lastly, he stated that the Board has failed to address the allegations of Board misconduct. This shows the Board does not take responsibility for their actions and this timeline is too short to address these problems.

## 2. PUBLIC MEMBERS WHO WISH TO ADDRESS THE BOARD *(continued)*

### 2.01 Requests to Address the Board

3. Bill James – Chairman of the Santa Clara Democratic Party who reported that they support local school boards and strongly endorse and support local school bond issues. It is very important to the Santa Clara Democratic Party that the school bonds in every county are being used well. His recommendation was that the Board set aside the language of the report (fraud, etc.) and respond to the report with great openness and sincerity even if the Board disagrees with some of the recommendations.
4. Dilza Gonzalez – Parent of 3 students that commented that she is pleased the Board has accepted the recommendations of the FCMAT report. It is now time to focus on the needs of the students because school begins in one month. Lastly, she reported that the EMPUJE parents and other parents in the community will be meeting soon to create solutions.

## 3. SUPERINTENDENT / BOARD BUSINESS

### 3.01 Response to FCMAT Extraordinary Audit and Proposed Actions to Address Recommendations

**MOTION #03-01 by Member Esau Ruiz Herrera to accept and approve the recommendation by Superintendent Hilaria Bauer as submitted. MOTION #03-01 was seconded by Clerk Dolores Marquez-Frausto.**

Member Karen Martinez asked Legal Counsel what the impact of what we are proposing to submit will be on our credit report?

Attorney Rogelio Ruiz reported that as a consequence of the FCMAT audit, Moody's and S&P have placed the District "on watch" and are considering downgrading the rating of the District. He continued to report that the credit downgrade would not affect the already issued bonds; however, it could impact the District's future borrowing.

Clerk Dolores Marquez-Frausto asked Legal Counsel if the level of the detail we have provided is a benefit?

Attorney Rogelio Ruiz reported that not all FCMAT audits include this many recommendations. He said that recommended responses substantially adopt the recommendations of the report – repayment of Certificates of Participation (COP) were addressed and this was a concern because FCMAT indicated there was not a plan and insufficient funds to handle COPs. He continued to report that FCMAT asserted there was no close-out of the San Antonio Project. He reported that the COPs issue was a primary issue for the ratings agencies and this has been addressed in the District's response.

### 3. SUPERINTENDENT / BOARD BUSINESS *(continued)*

#### 3.01 Response to FCMAT Extraordinary Audit and Proposed Actions to Address Recommendations

Member Esau Ruiz Herrera gave a brief summary of Attorney Rogelio Ruiz's executive summary which said that the FCMAT audit was incorrect in its assertion to put our credit rating at risk. Our responses indicate that we take these allegations very seriously and that we will correct the issues and provide support where necessary and that this report is due tomorrow!

President Khanh Tran reported that Del Terra had emailed a report during the morning. Superintendent Hilaria Bauer commented that she would check into making this report available on the District website.

#### Public Comments:

1. Natalie (no last name given) – Parent of a student that commented that it is very hard to find information on our website on what is happening with construction and that she suggests, in the interest of transparency, that there is a master plan with pictures of construction, updated schedules, etc.
2. Andrea Flores Shelton – Community member that commented that the community will continue to monitor the changes the Board is implementing and the effects on the District's bond rating. We need to strengthen our District!

#### Additional Board Comments:

Clerk Dolores Marquez-Frausto commented that she wants administration to ensure that there are no typos and date errors on the response report.

Member Esau Ruiz Herrera commented that this report was well prepared by administration with the facts and figures and reviewed by Legal Counsel.

President Khanh Tran echoed what Member Esau Ruiz Herrera had commented.

#### Additional Public Comment:

Superintendent Hilaria Bauer reported that she will review the response report one more time and make sure of the COC Chair's observations.

#### Additional Board Comments:

President Khanh Tran reported that FCMAT will not be responding to our response and that this is just to fulfill the requirement that we are legally required to provide.

**3. SUPERINTENDENT / BOARD BUSINESS** *(continued)*

**3.01 Response to FCMAT Extraordinary Audit and Proposed Actions to Address Recommendations**

Superintendent Hilaria Bauer reported that the final version would be shared with the Board and then posted on the website. The report will also be translated into Spanish and Vietnamese.

***MOTION #03-01 carried with a vote of 4 in favor; no opposition; 1 absent (Vice-President Andrés Quintero); and no abstention.***

**4. ADJOURNMENT**

**4.01 President Adjourns the Meeting**

President Khanh Tran adjourned the meeting at 6:59 p.m.

Respectfully submitted,

  
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Dolores Marquez-Frausto  
Board Clerk

HB/mcs