FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Annual Review

February 23, 2022

Monterey County Office of Education

Michael H. Fine
Chief Executive Officer

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

February 23, 2022

Deneen Guss, Ed.D., Superintendent
Monterey County Office of Education
901 Blanco Circle
Salinas, CA 93901

Dear Superintendent Guss:

In February 2020, the Monterey County Office of Education entered into an agreement with the Fiscal Crisis and Management Assistance Team (FCMAT) to perform the following:

> Prepare an initial analysis of the county office fiscal oversight provided to the South Monterey County Joint Union High School District using FCMAT's County Office Evaluation Tool, and make recommendations for improvement, if any.

This report contains the study team's findings and recommendations from the first annual county office oversight evaluation of the South Monterey County Joint Union High School District.

FCMAT appreciates the opportunity to serve the Monterey County Office of Education and extends thanks to its staff for their cooperation and assistance during our review.

Sincerely,

Michael H. Fine

Chief Executive Officer

Michael H. Fine • Chief Executive Officer
1300 17th Street – City Centre, Bakersfield, CA 93301-4533 • Tel. 661-636-4611 • Fax 661-636-4647
www.fcmat.org

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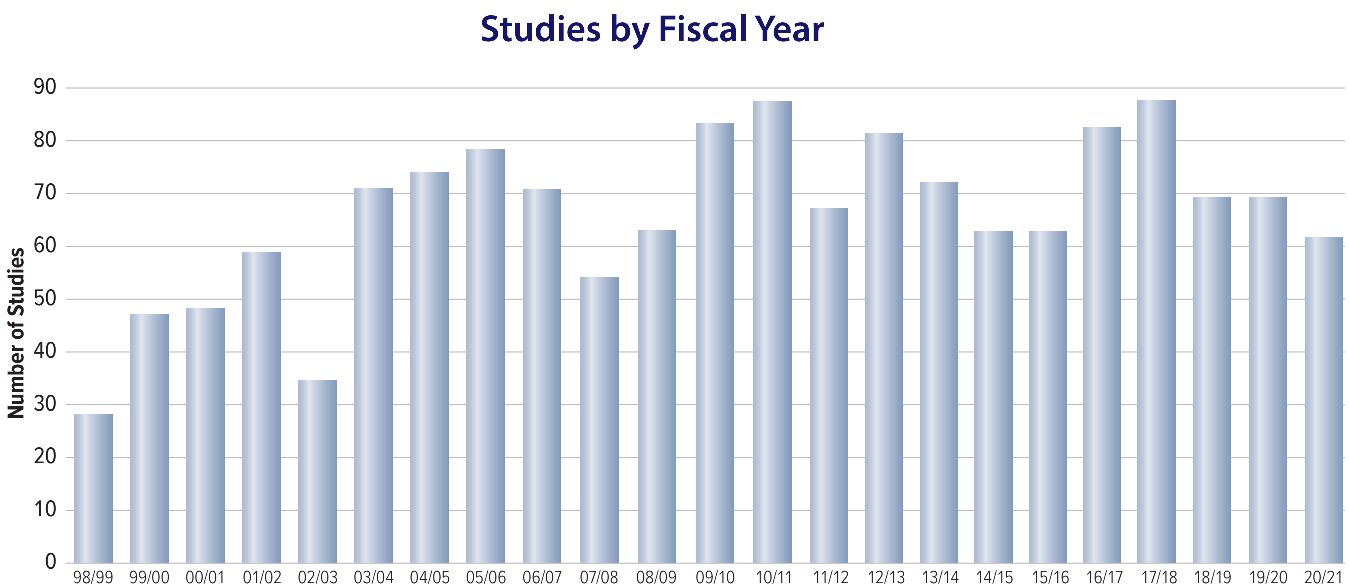
About FCMAT

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.



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) 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

In September 2018, Governor Brown signed Assembly Bill (AB) 1840, making a significant change in how insolvent school districts are administered after they receive a state emergency appropriation. As part of that legislation, Education Code Section 41326, the Fiscal Crisis and Management Assistance Team (FCMAT) was given the responsibility of reviewing the fiscal oversight performed by the county superintendent of schools for any district receiving an emergency apportionment. FCMAT is required to report its findings to the Legislature and provide a copy of that report to the Department of Finance, the superintendent of public instruction (SPI), and the president of the State Board of Education (SBE). This report is required to include findings regarding fiscal oversight actions that were or were not taken and may include recommendations for an appropriate legislative response to improve fiscal oversight of school districts.

In the years following the initial report of fiscal oversight performed by the county superintendent of schools, FCMAT will complete annual reviews of the county office's effectiveness in overseeing the district, assessing the county office's involvement with the district during the course of its normal oversight responsibilities, including during the period that led to the district's declaration of insolvency.

On July 23, 2009, Senate Bill (SB) 130 (Denham, co-author Assembly Member Caballero) was signed into law, authorizing the appointment of a state administrator and providing a $13 million emergency state loan or line of credit to the King City Joint Union High School District (later renamed the South Monterey County Joint Union High School District). This insolvency occurred after several years of financial struggles that were punctuated by significant issues related primarily to collective bargaining. At the core of the district's struggles was a difference in interpretation of a signed and approved collective bargaining agreement that was negotiated in 2007. After a series of attempts to solve the dispute, the case was forwarded to the Public Employee Relations Board (PERB) to adjudicate. As a result of the PERB final decision, the district found itself in severe financial distress, which eventually led to fiscal insolvency. Had the PERB decision not reversed the district's position on the collective bargaining issue, the district might have remained solvent, although the county office had communicated fiscal issues and concerns related to the cost of total compensation for all staff prior to the declaration of insolvency.

County Office Evaluation Guidelines

FCMAT entered into a study agreement with the Monterey County Office of Education initially on February 15, 2020 for both the Assembly Bill (AB) 1840 initial and annual evaluations. A study team visited the county office first on March 9, 2020 for the initial evaluation and then on October 20, 2021 for the annual evaluation to conduct interviews, collect data and review documents. Following fieldwork, the study team continued to review and analyze documents. This report is the result of those activities and actions related to the annual evaluation.

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 team was composed of the following members:

Joel Montero FCMAT Consultant	Nicolas Schweizer FCMAT Consultant
Misty Key FCMAT Consultant	Sheldon Smith FCMAT Consultant
Leonel Martínez FCMAT Technical Writer	

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

County Office Evaluation Tool

The Fiscal Crisis and Management Assistance Team (FCMAT) has developed the County Office Evaluation Tool (COET) for the initial and annual evaluations to help assess the effectiveness of county office support of school districts that have received an emergency apportionment.

The annual COET includes 11 questions and is intended to satisfy the requirements of AB 1840 regarding review and assessment of the county office related to the support of a school district's recovery. The tool is focused on the status of the district's recovery, the continuing implementation of the Long Range Recovery Plan (LRRP), the role of the administrator or trustee, the multiyear financial projection, and how the county office is addressing elements that received an answer of "No" in the initial evaluation. FCMAT used the annual COET during interviews with multiple staff from both the district and the county office, and the trustee.

The annual COET identifies the key review elements performed by county office staff and county superintendent in their support of the district and their ability to communicate effectively with the trustee, district staff and board. The team also gathered information through an initial document request prior to the on-site interviews and carefully reviewed the "Trustee Roles and Responsibilities" document offered by FCMAT. The team's conclusions are compiled in the report as a narrative with recommendations noted as appropriate. In addition, the team addressed questions related to the overall implementation of AB 1840 and has made recommendations to support that process, including a restatement of the specific roles and responsibilities of the trustee.

The county office's objective, supported by the trustee and other components of a recovery team (FCMAT, the California Department of Education and State Board of Education), is to facilitate the full recovery and address the major elements of the LRRP of the South Monterey County Joint Union High School District so that it can govern independently, maintain solvency, and effectively support the education of all students.

County Office Name: Monterey County Office of Education

Date of Fieldwork: October 20, 2021

Summary

The Monterey County Office of Education provides fiscal oversight to all the county's school districts as a result of the original AB 1200 legislation signed into law in 1991 and expressed in California Education Code Section 42127 and related subsections.

FCMAT assessed the county office's involvement with the district during the course of its normal oversight responsibilities and specifically during the period that led to the district's declaration of insolvency and beyond, up to and including the date of the initial evaluation. During the initial AB 1840 evaluation, the team reviewed the fiscal oversight of the qualifying district by the county superintendent of schools using documents prepared by county office staff. The team asked a series of questions relating to the time leading up to the insolvency in addition to reviewing oversight practices currently employed by the county office. The annual evaluation focused on the status of the district's recovery and how effectively the county superintendent supports the district staff, board, and trustee in that process.

As a result of the annual evaluation, the team's findings indicate the county superintendent is effective in supporting the full recovery of the district within the guidelines contained in the California Education Code, AB 1840 and the findings and recommendations included in the LRRP. The team identified some lack of clarity about the role and responsibilities of the trustee. Much of this appears to relate to inconsistent training and a lack of detail in the statute that transferred responsibility from state administration to the county office. This issue is addressed later in this report.

The team also identified some minor issues related to communication between the county office, the district superintendent, the district board and the trustee. The district board assumed that the county superintendent's objective was to appoint the new district superintendent. Regardless of information provided to the contrary, this particular opinion seems to prevail.

The team found no evidence of the trustee's use of FCMAT's Fiscal Health Risk Analysis to annually evaluate the district's risk of insolvency in the current and two subsequent years and report that information to the county superintendent. The county office staff clearly performs this particular type of review; however, the best practice indicates the necessity of an external and independent third-party review by the trustee. The team also found that while the county office staff was getting acquainted with the LRRP, the trustee had limited knowledge of the document and did not tend to use it or address the recommendations in the five operational areas in his work with the district. This included ensuring the board received the appropriate professional development and assisting the members in building their capacity to govern effectively.

Most of the review elements identified in the initial COET have been addressed and were evidenced in the documents provided by the county office and used to perform its AB 1200 oversight reviews. The team found that communication between the county superintendent, county office staff and trustee in the current model of oversight was timely and consistent with a focus on district recovery. In their review of the district, the county office staff and superintendent take into consideration the feedback from the trustee when making determinations about the district's current and future solvency and strategic decisions related to collective bargaining and resource allocation.

The following section of this report focuses on the team's implementation of the annual COET. All the areas assessed are listed below with an associated narrative. If an exclusion in the area is material, it is noted in the narrative.

1. Was the Long Range Recovery Plan (LRRP) developed by the administrator within the statutory timelines? Alternatively, has the county office of education (COE) adopted the FCMAT comprehensive review in lieu of the LRRP? Have the plans been consistently updated by the trustee and/or COE?

Throughout the interviews, all parties had knowledge of and referred to the Comprehensive Review and Recovery Plan Progress Report (Comprehensive Review) dated May 2015. This demonstrated to FCMAT that the county office and district staff consider the Comprehensive Review as fulfilling the statutory requirement for the LRRP. The initial Comprehensive Review was performed in February 2010 and updated in the spring of each subsequent year, consistent with the statutory timeline. The initial review used 307 standards but narrowed the focus to 144 priority standards. The priority standards focus on the district's progress toward meeting legal and professional requirements so that the district can support the essential functions in the five operational areas expected of a California public school district to support a quality and equitable education for all students.

The county office staff has used the LRRP since August 2021 and started including the document in discussions and meetings with the interim district superintendent, the district chief business official (CBO) and the trustee. The district completed an updated self-assessment of its recovery in October 2021 and, while it does not appear to be based on any specific data analysis, it is a reasonable place to begin. The county office has identified numerous outstanding deficiencies in district processes/procedures described in the LRRP that can become an impediment to the district's full recovery. Those can and should be addressed as a part of the routine oversight performed by the trustee and county office as a part of their continuing focus on building the district's capacity within the five operational areas identified in the LRRP.

The county office, the trustee, and the district did not monitor district recovery according to the findings and recommendations of the Comprehensive Review conducted by FCMAT prior to August 2021, which is when FCMAT sent the initial document request prior to the on-site interviews for this report. The Education Code is not specific about the obligations of the district, the trustee, and the county office to monitor and continue to use the LRRP to support recovery after powers have been returned to the district governing board. However, the LRRP is a viable roadmap and specific to what occurs during district insolvency and the process and procedures related to the state authorizing an emergency appropriation. Adherence to the LRRP findings and recommendations is an essential part of a district's recovery process. This focus on district recovery is not found in any other organizational strategic or accountability plan and should be one of the guiding documents utilized by the trustee in support of the district. This responsibility is referenced in the "Trustee Roles and Responsibilities" document in the 10th bullet, which states, the trustee shall, "Review and approve all reports and other materials required from the district as a condition of receiving the emergency state appropriation."

The trustee should report the district's progress toward implementing the outstanding findings and recommendations in the LRRP to the county superintendent and other interested parties at least annually. This report would be used by FCMAT in subsequent AB 1840 annual evaluations to help assess the progress related to the district's recovery.

2. What role has the COE played in supporting the district with the Long Range Recovery Plan?

The county office appears to have played little role to date in supporting the LRPP; however, efforts in the last few months to shift focus back to the LRRP have created renewed momentum and focus for the district's recovery. Prior to AB 1840, this was mainly the role of the administrator and the California Department of Education (CDE). Authority was restored to the district governing board shortly before adoption of AB 1840, so responsibility for the LRRP was likely overlooked in the transfer of responsibilities. The lack of statutory clarity about the responsibility for monitoring and supporting the LRRP was likely also a factor.

The county office demonstrated via multiple documents and interview responses that it effectively monitored the school district's fiscal processes through the customary AB 1200 activities and curricular activities using the customary Local Control and Accountability Plan (LCAP) development/review process. The trustee also monitors and reports governance activities, but none of these activities reference or document any movement or progress measured by the LRRP/Comprehensive Review.

3. What process has the COE used to monitor the progress of implementing the LRRP or the FCMAT Comprehensive Review for the district?

At the direction of the county office, the district performed a self-assessment of its progress on each of the five operational areas of the comprehensive review. The trustee indicated that he intends to work with the county office to review the district's self-assessment and has discussed the business areas with the district CBO. He believes pupil achievement is the area requiring the most attention. The trustee also thinks the district struggles to support pupil achievement because it lacks curriculum and instruction leadership and, at the time of this annual review, had yet to fill critical district level positions. The superintendent position was also in flux during the time of the annual review, and that appeared to delay the implementation of other staffing decisions.

The county office facilitated the development of, and is in the process of validating, the district's self-assessment related to all five operational areas contained in the LRRP and noted that some recommendations have yet to be fully addressed. The five operational areas will be the focus of monthly meetings of the district, trustee, and county office. While the county superintendent could clearly articulate the process to continue to monitor the comprehensive review, the trustee should be more involved in this process as well as district staff.

The county superintendent is committed to creating and implementing processes that support the use of the LRRP to guide the district's focus on recovery. This effort is clearly focused on increasing programs and services to students and will be aligned with all other efforts by the district, consistent with the directions in the LCAP.

4. What role has the trustee played in maintaining the financial recovery plan in cooperation with the COE?

The trustee is significantly involved in all discussions related to the district's fiscal health and has been involved in all the board meetings and discussions connected to budget development and improving and monitoring the district's financial position. The trustee has been in close communication with the county office to coordinate and provide financial updates and related decisions. The trustee possesses significant experience and familiarity with school business, and these abilities have greatly supported the district in attaining and maintaining fiscal solvency.

The trustee meets with the county superintendent and CBO after district board meetings and conveys issues related to the daily operation of the school district. The trustee maintains adequate notes and records documenting information conveyed to the county superintendent.

At the time of fieldwork, there was still some confusion about the trustee's role in monitoring all operations of the district and supporting the continuing focus on long-term recovery. Much of this confusion is likely related to complications in the transition from state to county administration of formerly insolvent school districts. Interviews of the district staff and board clearly indicated a belief that the trustee's role did not extend beyond the district's fiscal issues.

Many financial professional standards from the LRRP continue to not be implemented or only partially implemented. The trustee's role is to help facilitate progress toward full implementation of all standards and particularly those identified as "priority" standards.

5. What is the status of the district's budget in regard to deficit spending, fund balance, and reserve for economic uncertainties?

The district generates budget surpluses, has a large fund balance, and the required reserve for economic uncertainties is well in excess of minimum requirements. The district has a positive certification and has more than sufficient fund balance and reserves beyond those required for economic uncertainties. As a result of its role related to fiscal oversight, the county office monitors the levels of fund balance to ensure that services to students are fully supported and that the district is meeting its goals, objectives and actions in the LCAP to support increasing student outcomes and achievement.

The district's multiyear projection at budget adoption shows a current year reserve for economic uncertainty of 28.15%, 25.96% for fiscal year 2022-23, and 27.81% for fiscal year 2023-24. The district CBO and the trustee indicated that the district ADA is more than 2,500, making the district eligible for the reserve cap effective fiscal year 2022-23, whereby the district cannot maintain a reserve greater than 10%. The district plans to commit reserve dollars so that the reserve drops below 10% in the out years.

Interviews with some district and county office staff indicated that the district is considering paying off the state emergency appropriation using excess reserve dollars. Staff and others voiced a concern that insufficient financial emphasis has been placed on improving instruction and student achievement and that paying off the loan might divert dollars that would otherwise support pupil achievement. The Local Control Funding Formula (LCFF) concentration dollar carryover tracking requirement effective with the fiscal year 2022-23 budget, as well as the ongoing academic deficiencies enumerated in the district's LCAP, should be the focus of budget development and the allocation of all resources.

6. What process does the COE use to assess cash flow?

No issues relating to cash flow monitoring were identified in the initial evaluation. The county office reviews district cash flow projections and monitors cash balances and cash flow monthly for all districts. Given the district's significant fund balance, cash flow is not an issue.

The Monterey County Treasury collects school dollars using a superfund process whereby schools can go negative in cash if the fund supporting those dollars is in a positive position.

7. Has the COE fulfilled all of the statutory requirements for fiscal oversight in accordance with all applicable sections of the Education Code?

The county office has fulfilled all the statutory requirements for fiscal oversight in accordance with the applicable Education Code sections. In performing standard AB 1200/AB 2756 oversight functions, the county office has demonstrated that its process and procedures are at or above industry standard among the 57 other county offices of education.

8. Has the COE performed timely evaluations of the trustee?

State law is unclear about who evaluates the trustee, when evaluations occur, and the format or process to complete them; however, the trustee's performance has never been formally evaluated. Interviews indicated a desire to increase guidance and support to the trustee to ensure the expectations of his efforts are clear and his tasks have a purpose connected to the district's recovery. There has been some discussion about the trustee's evaluation being done semiannually and tied to outcomes based on the LRRP. Education Code Sections 41326 (B) and 41326(C) call for an advisory evaluation of the state administrator. The code includes nothing about an evaluation timing, method, or responsibility for the appointed trustee.

9. Is the trustee present at board meetings and closed sessions? Has the trustee used stay or rescind authority and, if so, regarding what issue?

The trustee is present at all board meetings and closed sessions and briefs the county superintendent and staff the day following the meeting.

The trustee used stay or rescind authority to rescind the governing board's action to extend the current interim superintendent's term. The trustee cited as his rationale that the district board did not follow the recommendations in the LRRP/Comprehensive Review relating to governance/community relations in the superintendent hiring/vetting process, and that the process of recruiting and retaining a permanent superintendent needed to be open and transparent. Interviews with the trustee indicated he believed the board's decision was ill-timed and inconsistent with the district's ongoing recovery. In his statement, the trustee encouraged the district to immediately engage a recruiting firm to seek a permanent superintendent, noting that maintaining any individual in a long-term interim role would continue to impede the district's progress in all operational areas.

10. What is the status of the district's recovery?

The district's financial and personnel management processes are strong and continue to evolve. Its facilities are being updated and improved. The district, trustee, and county office staff and superintendent all acknowledge that the district has not effectively addressed its low pupil achievement, and some governance issues remain.

The district is financially well positioned, and fund balance and reserves are more than the minimums. Concerns remain about providing programs and services for students at the expense of a conservative budget mindset. The student services director and special education director positions are not filled, which impedes student programs and services, resulting in inadequate support to meet the needs of all students. Because the latest indicators of student performance demonstrate the need for improvement, the district should focus on increasing services to students while maintaining a balanced budget. It is critical to fill all positions with qualified permanent leaders to assist in this effort.

11. How has the county office addressed elements in the initial review that were designated as a "No" on the original assessment that was included in the final report?

County staff have systematically gone through the initial review and ensured all areas identified as deficiencies are specifically addressed in the fiscal review checklists and oversight documents. The county office hired an additional financial analyst dedicated to fiscal oversight. This enabled the county office to improve its fiscal oversight review documents for consistency and thoroughness connected to every aspect possible, including those that were previously missed or marked “no" on the initial evaluation. Based on the evidence provided, the county office now includes all elements in each budget, interim and actuals report review process for fiscal oversight.

The county office provided documentation as well as a matrix describing how the office has changed/addressed practices that were listed as “No” in the previous review. Additional documents, increased review frequency of district reported financials, as well as increased elements included in the oversight letters sent to school districts (e.g., deficit spending) are all the result of attention paid to the initial evaluation.

General Conclusions and Recommendations

Following the initial evaluation in 2020, the Monterey County Office of Education has improved its internal process and procedures for district fiscal oversight, to the benefit of all school districts in Monterey County. Information gathered via interviews, documentation, and interactions with South Monterey County Joint Union High School District indicate progress is being made toward recovery, though some of the same root causes that created the original insolvency may remain, which could impede the district's continuing progress if the recommendations enumerated in the LRRP/Comprehensive Review are not implemented.

Fortunately, the county superintendent and staff are committed to the full recovery of the South Monterey County Joint Union High School District. While the county office has not actively monitored the implementation of the LRRP until this year, the county superintendent has clearly articulated a process to begin doing so to support the district's focus on the LRRP.

Considering this, the county office should:

1. Continue to implement its process to support the district's implementation of the LRRP.
2. Ensure the district and the trustee fully understand and are actively engaged in this process.
3. Clarify the trustee's role and responsibilities in the process and begin evaluating the trustee based on these clarified responsibilities.
4. Focus on improving pupil achievement and governance.
5. Support the district in its process to recruit and hire a qualified permanent superintendent and other key leadership positions, including in curriculum and instruction and special education.

The transition from state to county administration due to changes in law (AB 1840) is continuing to evolve. In part, the purpose of these annual evaluations is to clarify the roles and responsibilities of all the concerned and involved parties so that they can assist and support district recovery and thereby appropriately focus the organization on providing the best and most equitable educational experience for every child. This report attempts to assess the district's recovery status and the critical support provided by the county superintendent's office and establish the baseline for the next annual evaluation, which will occur approximately one year from the publication of this report.

Appendices

A. Trustee Definition

B. Study Agreement

Appendix A - Trustee Definition

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Trustee
Roles and Responsibilities

Acceptance by a district of an emergency state apportionment made pursuant to Section 41320 constitutes an agreement by the district that a trustee will be appointed to ensure the district's fiscal recovery and solvency per Education Code Section 41320.1. The trustee shall be appointed jointly by the county superintendent, the Superintendent of Public Instruction (SPI), and the president of the State Board of Education. The trustee should have recognized expertise in management and finance, shall report directly to the county superintendent, and shall serve until the district has adequate fiscal systems and controls in place and the SPI has determined that the district's future compliance with the fiscal plan approved for the district pursuant to Section 41320 is probable.

The trustee shall monitor and review the operations of the district, and shall perform the following functions:

1. Serve in a fiscal oversight capacity until the district has adequate fiscal systems and controls in place, and future compliance with the approved recovery plan is probable.

2. Provide advice and make recommendations to district staff and governing board members regarding budgetary, fiscal, or other issues that may affect the financial condition of the district.

3. Attend all meetings of the governing board and review all governing board materials prior to each board meeting to determine if any items or intended action will have a negative fiscal impact on the district's financial condition.

4. Stay or rescind an action of the governing board of the district or of the personnel commission where, in the judgment of the trustee, the action may adversely affect the financial condition of the district or be contrary to the district's approved recovery plan.

5. Notify the county superintendent of schools when a stay or rescind of a governing board decision is made. The county superintendent then shall notify the Superintendent and the president of the state board or his or her designee within five business days.

6. Monitor the financial projections and cash balances of all district funds for the current and two subsequent fiscal years, and, if necessary, assist district staff in preparing these projections.

7. Monitor all collective bargaining activity and review all proposals being considered, including the resulting fiscal impact.

8. Regularly meet with the district superintendent and chief business officer to obtain updates on the district's efforts to reduce expenditures or enhance revenues.

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9. Assist the county superintendent with establishing timelines and prescribing formats for reports and other materials to be used to monitor and review the operations of the district.

10. Communicate openly and timely with the county superintendent, district staff, governing board, and community, and promptly inform the county superintendent of critical issues or incidents.

11. Review and approve the district's required annual report of the financial condition of the district, including all of the following information:

    (1) Specific actions taken to reduce expenditures or increase income, and the cost savings and increased income resulting from those actions, to ensure the revisions are consistent with the district's needs and recovery plan.
    (2) The adopted budget for the current fiscal year.
    (3) Reserves for economic uncertainties.
    (4) Status of employee contracts.
    (5) Obstacles to the implementation of the adopted recovery plan.

12. Using the Fiscal Crisis and Management Assistance Team's (FCMAT's) Fiscal Health Risk Analysis, annually evaluate the district's risk of insolvency in the current and two subsequent fiscal years and communicate findings to the county superintendent.

13. Determine, with concurrence from the county superintendent and SPI, that future compliance by the district with the approved recovery plan is probable so that the district can meet its future financial obligations.

14. Provide regular updates to the county superintendent regarding the progress of the district toward fiscal stability.

15. Consult with, and seek recommendations from, the county superintendent, the SPI, and FCMAT in ensuring the fiscal recovery and solvency of the district.

16. With approval from the county superintendent, the SPI, and the president of the state board, retain the authority and responsibilities of an administrator, as set forth in Education Code Section 41325.

17. Assist in related matters as needed regarding the district's fiscal recovery and solvency, in accordance with Education Code Sections 41320.1, 41321, and 41322.

18. Review the financial and budgetary conditions of the district, including an analysis of internal controls, and determine if it may be unable to meet its financial obligations for the current or two subsequent fiscal years, or should receive a qualified or negative interim financial certification.

19. Meet with appropriate district staff, as needed, to assess fiscal health, organizational structure and staffing, effectiveness of internal controls, and other related concerns.

20. Consult with the governing board on fiscal and budgetary matters, facilities projects, debt obligations and other operational areas, as needed.

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21. Provide recommendations for improvements in district processes related to the budget, including position control, areas for cost containment, reducing unrestricted contributions from the general fund, etc.

22. Confirm that the district conducts its business operations in compliance with statutory requirements and within acceptable legal and professional standards.

23. Advise county superintendent regarding potential action to improve or protect the fiscal solvency of the district.

24. Provide additional support, technical assistance, professional learning, and advice outlined in the five operational areas defined by Education Code Section 41327.1 in the Long Range Recovery Plan (LRRP). Focus on assisting the district in addressing recommendations identified in the LRRP to support maintaining future solvency, organizational effectiveness and recovery. Report annually to the county superintendent regarding the progress made by the district in implementing LRRP.

Related Education Code Sections: 41320, 41320.1, 41322

1/17/2022

Appendix B - Study Agreement

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
February 4, 2020

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Monterey County Office of Education, hereinafter referred to as the COE, mutually agree as follows:

1. **BASIS OF AGREEMENT**

The team provides a variety of services to local education agencies (LEAs). In accordance with Education Code Section 41326(1), the team has been assigned to review the fiscal oversight performed by the COE specific to the district receiving an emergency apportionment. The team may include staff from FCMAT, county offices of education, the California Department of Education, or private contractors. All work shall be performed in accordance with the terms, standards and conditions of this agreement.

FCMAT is required to report its findings to the Legislature and to provide a copy of the report to the Department of Finance, the superintendent of public instruction, and the president of the State Board of Education. The county superintendent 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

Prepare an initial analysis of the county office fiscal oversight provided to the South Monterey County Joint Union High School District using FCMAT's County Office Evaluation Tool, and make recommendations for improvement, if any.

B. Services and Products to be Provided

1. Orientation Meeting – The team will conduct an orientation session at the COE to brief COE 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 COE office and at the South Monterey County Joint Union High School District if necessary.
3. Draft Report – Electronic copies of a draft report will be delivered to the county superintendent for review and comment.

4. Final Report – Electronic copies of the final report will be delivered to the county superintendent following completion of the review. Printed copies are available from FCMAT upon request.

3. **PROJECT PERSONNEL**

The FCMAT study team will include:

A. Joel Montero	***FCMAT Retired CEO***
B. Nick Schweizer	***FCMAT Consultant***
C. Sheldon Smith	***FCMAT Consultant***
D. Misty Key	***FCMAT Consultant***

Other equally qualified staff or consultants will be substituted in the event one of the above individuals is unable to participate in the study.

4. **PROJECT COSTS**

Pursuant to Education Code 41326(1) , costs for the study shall be as follows:

A. All staff member and consultant daily rates and expenses will be covered by FCMAT's state apportionment.

B. **Based on the elements noted in section 2A, the total cost of the services is $0.**

5. **RESPONSIBILITIES OF THE COE**

A. The COE will provide office and conference room space during on-site reviews.

B. The COE will provide the following items:

1. Current or proposed detailed organizational charts.
2. 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 COE and sent to FCMAT in electronic format.
3. 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 COE will upload all requested documents.

C. The county superintendent 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. All such comments should be provided to the team within five working days after receipt of the draft.

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

6. **PROJECT SCHEDULE**

Fieldwork will occur March 9, 2020.

7. **COMMENCEMENT AND COMPLETION OF WORK**

The FCMAT team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the COE 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. The COE 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 COE 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 COE. 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 COE in any manner without prior express written authorization from an officer of the COE.

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 COE, 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 Monterey County Office of Education 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 COE, 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 COE 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. CONTACT PERSON

Name: Dr. Deneen Guss
Telephone: (831) 755-0300
E-Mail: superintendent@montereycoe.org

Deneen Guss 2-6-2020
Dr. Deneen Guss, County Superintendent Date
Monterey COE

Michael H. Fine February 4, 2020
Michael H. Fine Date
Chief Executive Officer
Fiscal Crisis and Management Assistance Team