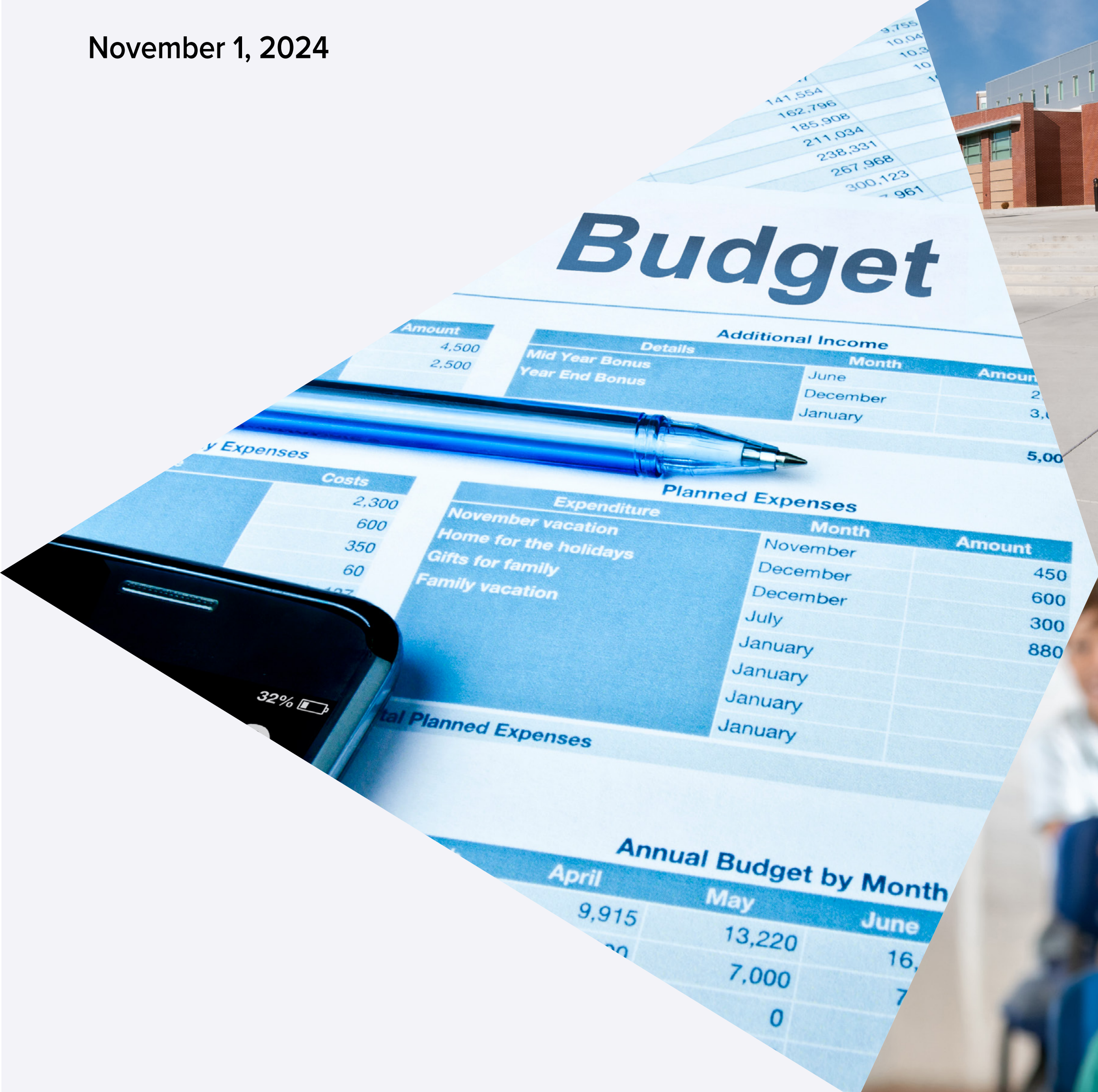
FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Annual Review

November 1, 2024



Solano County Office of Education

Michael H. Fine
Chief Executive Officer

November 1, 2024

Lisette Estrella-Henderson, Superintendent
Solano County Office of Education
5100 Business Center Drive
Fairfield, CA 94534-1658

Dear Superintendent Henderson:

In June 2020, the Solano County Superintendent of Schools entered into an agreement with the Fiscal Crisis and Management Assistance Team (FCMAT) for FCMAT to perform the following:

> Prepare an initial analysis of the county office fiscal oversight provided to the Vallejo City Unified School District using FCMAT's County Office Evaluation Tool [County Superintendent of Schools Oversight Evaluation Tool], and make recommendations for improvement, if any.

The June 2020 study agreement also covers annual follow-up evaluations.

This report contains the FCMAT study team's findings and recommendations from the third annual evaluation of the Solano County Superintendent of Schools' oversight of the Vallejo City Unified School District. FCMAT appreciates the opportunity to serve the Solano County Office of Education and extends thanks to its staff for their cooperation and assistance during this review.

Sincerely,

Michael H. Fine
Chief Executive Officer

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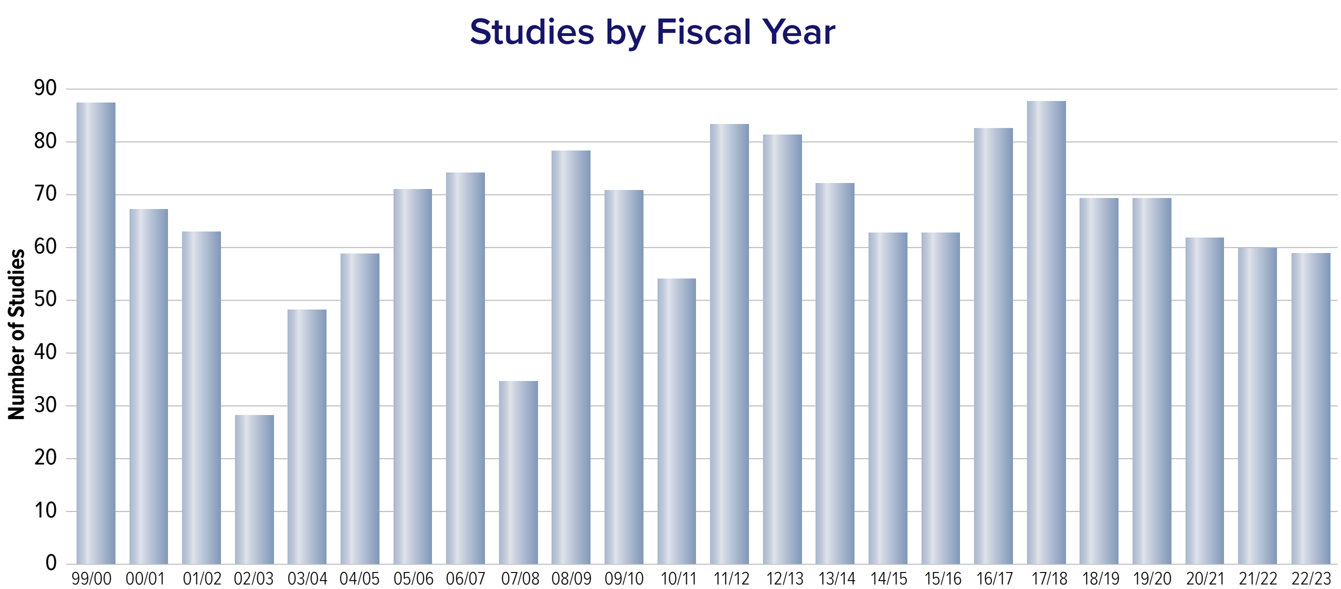
About FCMAT

FCMAT's primary mission is to assist California's local TK-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 TK-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 1840 (Chapter 426, Statutes of 2018), introducing a significant change in the administration of insolvent school districts that receive state emergency appropriations. Under this legislation, codified in Education Code (EC) 41326(l), the Fiscal Crisis and Management Assistance Team (FCMAT) is tasked with reviewing the fiscal oversight performed by the county superintendent of schools for any school district receiving an emergency apportionment. FCMAT must report its findings to the Legislature and provide a copy of the oversight evaluation report to the Department of Finance, the superintendent of public instruction, and the State Board of Education president or their designee. Each report must include findings regarding the fiscal oversight actions that were or were not taken and may contain recommendations for legislative measures to improve fiscal oversight of school districts.

In the years following the initial FCMAT report on the fiscal oversight performed by the county superintendent, FCMAT will conduct annual reviews until the school district exits receivership. These reviews will assess the effectiveness of the county superintendent's oversight and their involvement with the school district, including during the period that led to the district's declaration of insolvency.

On June 21, 2004, the governor signed Senate Bill (SB) 1190 (Chapter 53, Statutes of 2004), placing the Vallejo Unified School District under state receivership and approving an emergency appropriation of $60 million. The district's fiscal insolvency was preceded and precipitated by changes in its leadership; escalating staffing costs; serious weaknesses in its fiscal practices and operations, including inadequate systems controls, lack of attention and reaction to declining enrollment; and overstaffing.

County Superintendent of Schools Oversight Evaluation Guidelines

FCMAT entered into a study agreement with the Solano County Superintendent of Schools on June 18, 2020 to conduct both the initial and annual evaluations required by EC 41326(l). A study team visited the county superintendent's office on August 17, 2020 for the initial evaluation; on March 17, 2022 for the first annual evaluation; on August 30, 2023 for the second annual evaluation; and on September 4, 2024 for the current evaluation. During these visits, the team conducted interviews, collected data, and reviewed documents. After the fieldwork, the study team continued to analyze the gathered documents and data. This report summarizes the team's activities and actions related to the current 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 and its own short internal style guide, which emphasize plain language, capitalize relatively few terms, and strive for conciseness, clarity and simplicity.

Study Team

The team was composed of the following members:

Debbie Riedmiller
Chief Analyst

Misty Key
FCMAT Consultant

Nicolas Schweizer
FCMAT Consultant

Sheldon Smith
FCMAT Consultant

Cassady Clifton
FCMAT Technical Writer

Those members of this study team who are otherwise employed by a local educational agency were not representing their respective employers but were working solely as independent contractors for FCMAT.

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

County Superintendent of Schools Oversight Evaluation Tool

The Fiscal Crisis and Management Assistance Team (FCMAT) has developed the County Superintendent of Schools Oversight Evaluation Tool for both initial and annual evaluations. This tool is designed to help assess the effectiveness of a county superintendent of school's fiscal oversight and support of school districts that have received emergency apportionments.

The annual oversight evaluation tool comprises 17 questions and is intended to satisfy the requirements of Education Code (EC) 41326(l) for reviewing and assessing the county superintendent's fiscal oversight and support related to a school district's recovery from insolvency. This tool focuses on the status of the district's recovery, the ongoing implementation of its long-range recovery plan (LRRP), its multiyear projection, the role of the administrator or trustee, and how the county superintendent is addressing elements that received an answer of "No" in the initial evaluation. FCMAT used the annual oversight evaluation tool during interviews with multiple staff members from both the district and the county superintendent's office, as well as the trustee.

The oversight evaluation tool identifies the key oversight responsibilities of the county superintendent in their fiscal oversight and support of the district, as well as their ability to communicate effectively with the trustee, district staff and governing board. FCMAT also gathered information through an initial document request before the on-site interviews. The team's conclusions are compiled in the report as a narrative, with recommendations included where appropriate. In addition, the team addressed questions related to the overall implementation of EC 41326(l) and made recommendations to support that process, including a restatement of the trustee's specific roles and responsibilities (included as Appendix A of this report).

The county superintendent's objective, supported by the trustee and other components of an insolvency recovery team (including FCMAT, the California Department of Education, and the State Board of Education), is to facilitate the full recovery of the Vallejo Unified School District. This involves addressing the major elements of the LRRP to ensure the district can govern independently, maintain solvency, and effectively support the education of its students.

County Office: Solano County Office of Education

Date of Fieldwork: September 4, 2024

Summary

The Solano County Superintendent of Schools provides fiscal oversight to all the county's school districts pursuant to Assembly Bill 1200 (Chapter 1213, Statutes of 1991). This responsibility is outlined in Article 2, Chapter 6 of Part 24 of the California Education Code (EC), beginning with Section 42120 and/or Section 1240(b).

During the initial evaluation under EC 41326(l), FCMAT assessed the county superintendent's involvement with the district throughout the course of their normal oversight responsibilities, up to and including the date of evaluation, and specifically during the period leading up to the district's declaration of insolvency. This assessment involved analyzing historical and current documents prepared by county office staff, as well as asking a series of questions related to the time leading up to the insolvency. FCMAT also reviewed the county superintendent's oversight practices and conducted interviews with district staff and other key individuals involved in the oversight process.

The annual evaluation focuses on the status of the district's recovery, assessing the progress made since the last review and evaluating the effectiveness of the county superintendent in supporting the district's staff, governing board, and trustee in their efforts to help the district return to fiscal solvency. In addition, the annual review examines any areas that were marked as "No" on the initial evaluation to determine if those issues are being addressed.

FCMAT's findings indicate that the fiscal oversight actions taken by the county superintendent during the study period complied with the Education Code. The county superintendent's process for reviewing budget and interim reports is thorough and focuses on compliance with the State Standards and Criteria for Fiscal Solvency. Concerns and technical corrections are communicated to the Vallejo Unified School District in writing. The county superintendent and staff, in collaboration with the trustee, have worked closely with the district superintendent and staff with the goal of fully implementing the recommendations from the 2008 FCMAT Comprehensive Review.

The district fully repaid the state loan in August 2024. Before the repayment, the district contracted an audit firm to conduct a fiscal systems audit, as required by the Education Code 41320.1(a)(4). Completed on November 1, 2023, the audit identified numerous concerns and weaknesses in internal controls and business processes, including the collection and reporting of average daily attendance. As a result, the county superintendent has not initiated the process to release the district from receivership and has retained the trustee. The county superintendent has also engaged the auditor to conduct a follow-up audit.

The county superintendent, county office staff, trustee, and district superintendent and staff continue to meet monthly and maintain frequent and systemic communication. Over the past year, these meetings have focused on addressing the weaknesses identified in the fiscal systems audit, as well as ensuring the accurate tracking, spending, and reporting of Local Control Funding Formula supplemental and concentration funds, including spending down the carryover funds (unspent funds received in a prior year).

FCMAT is concerned that, despite the district's knowledge of its own operations and the present oversight activities, the fiscal systems audit still identified several significant deficiencies in the district's fiscal controls. Further, nearly a year after the initial audit, 16 of the 18 deficiencies continue to be addressed.

The district's 2024-25 adopted general fund budget and multiyear projection show deficit spending in the current and two subsequent years, with the unrestricted ending fund balance projected to decline from \$34.7 million at the beginning of 2024-25 to \$7.4 million by the end of 2026-27. This deficit spending partly reflects the spend down of the district's significant supplemental and concentration grant funds carryover, but is also driven by ongoing declining enrollment, low attendance rates, underenrolled schools, and overstaffing.

The district continues to face multiple challenges, including declining enrollment and attendance, low academic achievement, failure to reconcile position control with budget and payroll, inadequate budget development and monitoring, lack of attention to enrollment and attendance projections, repeat audit findings, overreliance on consultants, and limited capacity within the district's business staff. The lack of industry-standard processes in the business office further hinders the district's progress toward fiscal solvency. Without decisive action to address overstaffing, underutilized facilities, and student achievement, the underlying issues that led to the district's insolvency will persist.

The county superintendent and trustee, in collaboration with the district's governance and leadership teams, must establish a clear goal with weekly milestones to resolve all outstanding deficiencies identified in the fiscal systems audit. The goal is for the district to fully address these deficiencies and become eligible for release from state receivership by June 2025.

Findings

This section focuses on FCMAT's review of the Solano County Superintendent of School's fiscal oversight actions. Each assessed area is listed below along with an associated narrative, and where applicable, recommendations for improvement. Any material deficits identified in these areas are noted within the narrative.

1) Did the district develop the long-range recovery plan (LRRP) within the statutory timelines? Alternatively, did the county superintendent of schools adopt the FCMAT Comprehensive Review in lieu of an LRRP? Has the trustee and/or county superintendent been consistently updating the LRRP or comprehensive review?

The Vallejo Unified School District uses the FCMAT Comprehensive Review in lieu of the LRRP. Since FCMAT's last visit, the county superintendent has been working with the district to assess progress and address the outstanding items from the review. The comprehensive review remains a standing agenda item in the monthly oversight meetings among the trustee, county superintendent, county office staff, district superintendent and district staff. During interviews, respondents also indicated that, in addition to the monthly meetings, there is frequent communication among the county superintendent, trustee, county office staff, and district regarding the issues identified in the comprehensive review.

County office staff indicated in interviews that all areas of the comprehensive review have been implemented. According to the tracking document last updated in December 2023, all but two standards are fully or partially completed.

The district contracted an external audit firm to conduct a fiscal systems audit to assess its readiness to exit receivership. Completed in November 2023, the audit highlighted many areas of ongoing weakness. Since then, the county superintendent has focused on assessing the district's progress in addressing the deficiencies identified in the auditor's report.

FCMAT is concerned that, despite the district's knowledge of its own operations and the present oversight activities, the fiscal systems audit still identified several significant deficiencies in the district's fiscal controls. These deficiencies continue to be addressed; however, nearly a year after the initial audit, 16 of the 18 deficiencies remain unresolved.

2) What role has the county superintendent played in supporting the district with the LRRP or comprehensive review? What process has the county superintendent used to monitor the progress of implementing the recommendations from the LRRP or comprehensive review?

District and county office staff track the district's progress in implementing the recommendations from the comprehensive review using a shared spreadsheet. County office staff request documentation from the district to verify the implementation of each recommendation and update the spreadsheet with the district's progress. The spreadsheet shows progress or completion of many of the deficiencies described in the comprehensive review.

County office staff meet monthly with district staff and the trustee to monitor the district's progress in implementing the recommendations from the comprehensive review. These meetings have continued since FCMAT's last review, and the tracking spreadsheet has been updated monthly through December 2023. As of the latest update, all but two standards have been either fully or partially completed. As discussed earlier in this report, the county superintendent's focus over the past year has been on assessing the district's progress in addressing the weaknesses identified in the fiscal systems audit. The county superintendent is supporting a follow-up fiscal systems audit to assess whether all discrepancies have been adequately addressed.

During the monthly meetings over the past year, considerable effort has been directed toward fostering collaboration among the district's business services, human resources, and instructional services staff, as well as ensuring the accurate tracking and reporting of Local Control Funding Formula (LCFF) supplemental and concentration grant expenditures. Additionally, these meetings have emphasized the proper budgeting and expenditure of prior year supplemental and concentration grant carryover funds (unspent funds received in a prior year) to meet the needs of unduplicated pupils.[1]

Moreover, as reported in the previous annual report, the county superintendent engaged the California Collaborative for Educational Excellence (CCEE) to help the district in improving student outcomes and increasing student achievement. The county superintendent and trustee hold regular discussions to review the district's progress, address any ongoing challenges, and ensure alignment with the CCEE's recommendations and support initiatives.

3) What role has the trustee played in maintaining the financial recovery plan in collaboration with the county superintendent?

The trustee has been a member of the recovery team for more than a decade, building strong relationships with both county office staff and the district's superintendent and chief business official (CBO). The trustee's efforts include providing professional coaching, mentoring, and overall guidance to the district's administration and governing board, as well as to the county superintendent and county office staff. Before each board meeting, the trustee meets with the district superintendent and CBO to review agenda items with fiscal implications and to discuss key issues such as Local Control and Accountability Plan implementation, declining enrollment, attendance improvement, collective bargaining, and communication with the governing board and community.

Over the past year, the trustee has focused on preparing the district for its exit from receivership by working with the CBO to strengthen her credibility in board presentations and ensuring that reports to the county office are accurate, clear and comprehensive. A new district superintendent was hired in July 2024, and the trustee is now working to establish a strong relationship with the superintendent to build trust and ensure his advice is both valued and considered.

The trustee participates in monthly meetings with the county superintendent, district superintendent, and their respective staff. Because of the large carryover of supplemental and concentration grant funds, meetings over the past year have emphasized collaboration between business services and instructional services to ensure that these funds are properly budgeted, expended, and reported accurately.

The trustee believes the district is well on its way to exiting receivership and is in a position similar to that of many other local educational agencies in the state facing declining enrollment, sluggish student performance and other challenges. The county superintendent values and relies on the trustee's advice and input.

[1] Students who are foster youth, eligible for free or reduced-priced meals, or identified as English learners.

4) What is the status of the district's budget concerning deficit spending, fund balance, and reserve for economic uncertainties?

The district's 2024-25 adopted general fund budget multiyear projection shows deficit spending in the current and two subsequent years. The unrestricted general fund deficit is projected to be $5.4 million in 2024-25, $13.8 million in 2025-26, and $8.2 million in 2026-27. This deficit spending partly reflects the spend down of the district's significant supplemental and concentration grant funds carryover, but is also driven by ongoing declining enrollment, low attendance rates, underenrolled schools, and overstaffing.

The unrestricted general fund ending fund balance is projected to decrease from $34.7 million at the beginning of 2024-25 to $7.4 million by the end of 2026-27. Despite this decline of $27.3 million, the district projects it will meet the minimum required reserve for economic uncertainties in each year of the projection, with available reserves of 6.98% in 2024-25, 3.50% in 2025-26, and 3.50% in 2026-27. The 2024-25 budget and multiyear projection relies on one-time revenues of $6.5 million from the sale of property and a $7.9 million transfer to the general fund from the special reserve fund for other than capital outlay projects in 2026-27 to meet the required reserve. Without these one-time budget-balancing solutions, the district's ending fund balance would be negative in 2026-27.

Generally, Education Code provisions prohibit or restrict the use of property sale proceeds for ongoing operating expenses. While such use is allowed in certain circumstances, it is subject to specific prerequisites and consequences that require careful consideration. Further, the district is not eligible for the exemption under Education Code 17463.5 because it no longer has an outstanding balance on its state loan.

The district's ending fund balance for 2024-25 includes $21.8 million in committed funds, with $7.2 million designated for stabilization arrangements and $14.6 million allocated to supplemental and concentration grant carryover. The district plans to reduce these committed funds to $8.2 million in 2025-26 and eliminate them entirely in 2026-27. Funds designated as "committed" by the district governing board can only be used for the purposes that were designated by the board. Any reduction in the committed amount or change in its designated purpose requires formal board action.

5) What process does the county superintendent use to assess the district's cash flow, and how frequently do they perform this assessment?

The county superintendent monitors the district's cash balances on a monthly basis. County office staff follow an ongoing process for cash monitoring, which includes reviewing monthly transactions, preparing an object code analysis, and examining all funds. Cash flow projections are also reviewed at each financial reporting period. At this time, county office staff have no concerns regarding the district's available cash balances.

6) Has the county superintendent performed a thorough examination of the district's adopted budget and interim reports for compliance with the State Standards and Criteria for Fiscal Solvency, as evidenced by fiscal oversight review checklists or other documentation? Does the county superintendent identify and communicate to the district any necessary technical corrections?

The county superintendent provided evidence of a thorough oversight process for reviewing budget and interim reports, which includes evaluating each criterion and providing a narrative when concerns are identified. County office staff prepare alternative scenarios and "what if" analyses to assess the potential impact on the district's fiscal solvency when the district's assumptions are uncertain. After reviewing the budget and interim reports, the county superintendent communicates any necessary technical corrections to the district CBO through a formal letter. Interviews indicated that county office staff verify during the next reporting period whether the district has implemented the noted corrections.

7) Does the county superintendent evaluate whether the district's budget aligns with its financial recovery plan and will enable the district to meet its financial obligations? This includes ensuring the budget will allow the district to satisfy its multiyear financial commitments and maintain a combined assigned and unassigned ending fund balance that meets or exceeds the minimum recommended reserve for economic uncertainties.

The county superintendent performs this evaluation and communicates any concerns to the district through budget and interim report review letters. Documentation shows that the financial review by county office staff includes an evaluation of the reasonableness of the district's assumptions, budgeted revenues and expenditures, and whether the minimum reserve for economic uncertainties is met for the current and two subsequent years.

The county superintendent's 2024-25 adopted budget review letter directed the district to include with the 2024-25 first interim report an updated multiyear projection and a detailed plan to reduce the ongoing deficit and maintain the required reserve levels. The county superintendent is working to support the new district superintendent in aligning expenditures with the district's reduced revenues.

8) If the district is deficit spending, does the county superintendent note the levels of deficit spending and communicate their concerns to the district governing board through the budget and/or interim report letters?

The county superintendent identifies the projected deficit amounts for the current and two subsequent years and communicates this to the district governing board through review letters. These letters also outline any additional concerns, such as a declining general fund ending balance, declining enrollment and average daily attendance, unreconciled balance sheet accounts, unresolved audit findings, unspent supplemental and concentration grant funds, contingent liabilities, and the use of one-time funds to balance the budget.

However, the county superintendent's correspondence to the district reads as suggestive rather than directive. While FCMAT understands the county superintendent's desire for a cooperative rather than authoritative relationship with the district, the oversight letters should clearly specify the actions the district must take to ensure its fiscal solvency.

9) Does the county superintendent verify whether the district's budgeted expenditures are sufficient to implement its Local Control Accountability Plan (LCAP)?

Last year, the county superintendent identified a misalignment between the district's budget and its LCAP, which resulted in a significant carryover of supplemental and concentration grant funds. Since then, county office staff have worked with the district to improve alignment, track expenditures more accurately, and spend down the carryover.

The county superintendent continues to work closely with the district to ensure that budgeted expenditures are sufficient to implement the planned actions and services outlined in the LCAP. This year, there is clear evidence of ongoing collaboration between the county superintendent and district staff to support the implementation of these actions and services, aimed at improving student academic achievement.

10) Does the county superintendent verify whether the district identified the amount of carryover of prior year supplemental and concentration grant funds in its LCAP? If these funds are being carried over, does the county superintendent verify whether the district has either included their expenditure in the LCAP for the subsequent year and in its budget and multiyear projection, or reserved the funds in its fund balance?

There is evidence that the county superintendent has verified and validated the carryover of prior year supplemental and concentration grant funds against the balances carried forward in the district's LCAP. The county superintendent is working closely with the district to ensure that expenditures related to planned actions and services are properly tracked and reported. The prior year carryover has been identified, and a plan is in place to spend down the remaining balance. The district has been instructed to designate committed reserves in its ending fund balance sufficient to cover any carryover funds not planned for expenditure. The district committed $14.6 million for supplemental and concentration grant funds carryover in its 2024-25 adopted budget. This represents substantial progress compared to the previous review and report.

11) Does the county superintendent review the accuracy of the district's public disclosures of collective bargaining agreements, provide comments on the viability and affordability of these agreements, and verify whether the district has adopted all necessary budget revisions in the current fiscal year to meet the costs of the agreements?

Interviews with county office staff, along with supporting documents, indicate that the county office staff review the accuracy of the district's public disclosures of collective bargaining agreements and verify that the district has adopted all necessary budget revisions in the current fiscal year to cover the costs of the agreements.

County office staff received the district's public disclosures of proposed collective bargaining agreements with its certificated, classified, and management employees on April 18, 2024. The district governing board was scheduled to take action on the agreements on May 8, 2024. According to the disclosure documents, the district projected a negative unrestricted general fund balance of $11 million in 2025-26 as a result of the agreements. County office staff met with district staff to address the projected negative balance, and on May 2, 2024, the district submitted an updated multiyear projection, a proposed list of budget reductions for 2024-25 and 2025-26, and a draft board resolution outlining the budget reductions. On May 8, 2024, the district governing board adopted a resolution to implement ongoing budget reductions of $3.1 million in 2024-25 and an additional ongoing $4.3 million in 2025-26.

The county superintendent's letter to the district expressed concerns about the affordability of the agreements and the district's ability to maintain fiscal solvency. Key issues highlighted included the reductions required to maintain the minimum reserve for economic uncertainties in subsequent years, the use of one-time funds to pay for ongoing expenses, and the use of reserves previously committed by the district governing board for pending litigation and supplemental and concentration grant carryover.

The county superintendent's letter also noted that one of the district's budget-balancing solutions was the elimination of 57 positions that had remained vacant from 2017-18 to 2022-23. The letter stressed that the district's failure to regularly reconcile budget, payroll, and position control is an indicator of risk for insolvency. It also reminded the district to budget only for vacancies that can and will be filled. This weakness was also identified in the fiscal systems audit.

12) Does the county superintendent review the information provided by the district regarding the issuance of non-voter-approved debt and provide comment to the district governing board on the district's ability to repay its obligations within 15 days of receiving the information?

The district has not issued any non-voter-approved debt since the last oversight evaluation report. In her budget and interim report review letters, the county superintendent reminds the district to notify the office at least 30 days before the district governing board takes action on any proposed non-voter-approved debt.

13) Has the county superintendent performed timely evaluations of the trustee?

The annual evaluation of the trustee was dated June 26, 2024, and a copy was submitted to the state superintendent of public instruction on August 13, 2024. The evaluation tool includes comments from both the trustee and the county superintendent. The county superintendent is pleased with the trustee's performance.

14) Is the trustee present at district governing board meetings and closed sessions? Has the trustee used stay or rescind authority and, if so, on what issue?

The trustee attends all regular and special district governing board meetings and study sessions. Before each meeting, the trustee meets with the district's superintendent and CBO to review agenda items with fiscal implications and offer guidance on effectively communicating information to the governing board and community. The trustee has not used stay or rescind authority in the past year.

15) What is the status of the district's recovery?

The district made its final payment on the state loan in August 2024. However, the fiscal systems audit, completed in November 2023, identified numerous deficiencies that the county superintendent continues to work on with the district. To evaluate the district's progress in addressing the weaknesses identified in the initial audit, the county superintendent contracted the audit firm for a follow-up review, after which the county superintendent will assess the district's readiness to exit receivership.

16) On or before October 31, has the district governing board prepared a report on the district's financial condition in accordance with Education Code 41321? Does the trustee review and approve this report? Has the district provided this report to the county superintendent?

On October 6, 2023, the district prepared its annual report on the financial condition of the school district, which was reviewed and approved by the trustee and submitted to the county superintendent. A copy is included in Appendix B of this report.

17) How has the county superintendent addressed the fiscal oversight actions that were designated as "No" on the initial evaluation?

County office staff have continued to ensure that deficiencies identified in the initial review continue to be addressed in the fiscal review checklists and oversight documents.

Conclusions and Recommendations

The county superintendent of schools and the trustee have a clear understanding of the issues affecting the Vallejo Unified School District. The trustee has cultivated the relationships and trust required to drive behavioral change, overseen the district's efforts in approving and implementing policy and procedural reforms, and brought a positive and forward-looking perspective to the oversight process.

The processes used by county superintendent and county office staff in fulfilling their statutory fiscal oversight duties are thorough and well-documented. Monthly meetings among the trustee, county superintendent, district superintendent, and their respective staff are routine, with frequent and consistent communication among all parties.

The county superintendent has drafted a comprehensive document, referred to as a compendium, chronicling the events that led to the district's fiscal insolvency, the oversight and support provided by the county superintendent during the district's 20 years in receivership, and the actions taken by the district to restore fiscal solvency and regain local control. The compendium's purpose is to document the district's journey to receivership and recovery. The county superintendent hopes it will serve as a resource for other local educational agencies facing similar challenges.

Since the last review, progress has been made in the following areas:

- An equity impact analysis was completed and presented to the district governing board in January 2024. On May 22, 2024, the district governing board adopted a resolution to establish metrics for an updated equity impact analysis report. The district governing board will consider the closure or consolidation of one or more schools for the 2025-26 school year.
- The county superintendent has been working with the district to address the deficiencies identified in the November 2023 fiscal systems audit report.
- County office staff and the trustee continue to work with the district chief business official (CBO) to review budget and multiyear assumptions and improve the presentation of financial information to the district governing board.
- The county superintendent remains actively involved with the district in implementing the California Collaborative for Educational Excellence recommendations to improve the district's academic program.
- County office and district business and instructional services staff are working together to develop the Local Control and Accountability Plan, as well as to track and report expenditures.
- The district hired a consultant to provide training to district office and school staff on attendance accounting, reporting and recordkeeping.

Although the county office staff indicated that all elements of the long-range recovery plan have been implemented, the fiscal systems audit highlighted many of the same deficiencies that were reported in the 2008 FCMAT Comprehensive Review. Both the county superintendent and FCMAT are concerned that, without sustainable fiscal systems in place, the district may not be able to function without the trustee's support. In July 2024, the county superintendent contracted the audit firm for a follow-up review, with the report expected by November 15, 2024.

The weaknesses in the district's fiscal systems and controls, as identified in the fiscal systems audit, indicate that the business staff lack the capacity and training in standard school business practices. The district is heavily reliant on consultants to perform key business functions.

Additionally, FCMAT is concerned about the number and type of deficiencies identified in the November 2023 fiscal systems audit, as well as the apparent confusion over whether these deficiencies have been adequately addressed after nearly a year of discussion.

The district's 2024-25 adopted budget shows an ongoing structural deficit that will deplete its cash resources and poses a severe threat to its fiscal recovery. Since the last review, the district has hired a new superintendent who seems willing to implement the changes necessary to achieve and maintain fiscal stability.

The county superintendent needs to implement a plan to release the county trustee and the district from receivership. The county superintendent should continue to collaborate with the trustee to:

1. Focus on the elements of the comprehensive review and fiscal systems audit that have not yet been fully implemented and ensure that the implementation plan is sustainable.
2. Support the district superintendent in working with the current CBO to build her skillset and prepare her for the district's exit from receivership.
3. Provide support and guidance to ensure the district's fiscal sustainability, including any appropriate district school closures, staffing adjustments in response to declining enrollment, and efforts to boost enrollment, increase attendance and improve student achievement.
4. Support the new district superintendent in taking the actions necessary to maintain the district's long-term solvency.

The county superintendent and trustee, in collaboration with the district's governance and leadership teams, must establish a clear goal with weekly milestones to resolve all outstanding deficiencies identified in the fiscal systems audit. The goal is for the district to fully address these deficiencies and become eligible for release from state receivership by June 2025.

FCMAT will schedule the next review to correlate with the district's exit from state receivership.

The transition from state to county administration as a result of Assembly Bill 1840 (Chapter 426, Statutes of 2018) continues to evolve. The purpose of these annual reviews, in part, is to clarify the roles and responsibilities of all involved education partners so they can assist and support the district's recovery. This report attempts to assess the district's recovery status and the essential support and oversight provided by the county superintendent of schools, and to establish a baseline for the next annual review, which will occur approximately one year from the publication of this report.

Appendices

Appendix A – Trustee Roles and Responsibilities

Appendix B – Annual Report on the Financial Condition of the School District

Appendix C – Study Agreement

Appendix A – Trustee Roles and Responsibilities

Acceptance by a school district of an emergency state apportionment (i.e., loan) made pursuant to Education Code (EC) 41320 constitutes an agreement by the district that a trustee will be appointed to ensure its fiscal recovery and solvency per EC 41320.1. The trustee shall be appointed by the county superintendent of schools, superintendent of public instruction (SPI), and State Board of Education (SBE) president or their designee, by majority vote. They shall report directly to the county superintendent and act as an advisor to the school district's governing board and superintendent, guiding them through the recovery process. The trustee holds the authority to stay and rescind any actions of the school district governing board that are inconsistent with the school district's fiscal recovery plan. They shall serve in this capacity until the school district establishes adequate fiscal systems and controls, and the SPI assesses that the district is likely to comply with the fiscal plan approved pursuant to EC 41320.

This trustee shall have recognized expertise in management and finance and shall be selected from a pool of candidates identified and vetted by the Fiscal Crisis and Management Assistance Team (FCMAT). When selecting a candidate pool for the trustee position, FCMAT shall consider candidates' expertise in management and finance, experience in mitigating fiscal distress in districts, and ability to engage meaningfully with the school district's local community.

Note: With approval from the county superintendent, SPI, and SBE president or their designee, a trustee may be appointed with the authority and responsibilities of an administrator, as set forth in EC 41325.

The trustee shall monitor and review the school district's operations, and shall perform the following functions:

1. Serve in a fiscal oversight capacity until the school district establishes adequate fiscal systems and future compliance with its approved recovery plan is likely.
2. Provide advice and make recommendations to school district staff and governing board members regarding budgetary, fiscal, or other issues that may affect the district's financial condition.
3. Attend all school district governing board meetings and review all materials before each meeting to determine if any items or intended actions will have a negative fiscal impact on the district's financial condition.
4. Stay or rescind an action of the school district governing board or personnel commission when the action may adversely affect the district's financial condition or conflict with its approved recovery plan.
5. Notify the county superintendent after staying or rescinding a decision by the school district governing board. The county superintendent shall then notify the SPI and the SBE president or their designee of this action within five business days.
6. Monitor the financial projections and cash balances of all school district funds for the current and two subsequent fiscal years, and assist district staff in preparing these projections if necessary.

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

8. Meet regularly with the school district superintendent and the chief business official to obtain updates on the district's efforts to reduce expenditures or increase revenues.

9. Help the county superintendent establish timelines and prescribe formats for reports and other materials to be used to monitor and review the school district's operations.

10. Maintain open and ongoing communication with the county superintendent and the school district's staff, governing board and community, and promptly inform the county superintendent of any critical issues or incidents.

11. Review and approve the school district's required annual report on its financial condition, including the following information:

    I. Specific actions taken to reduce expenditures or increase income, and the cost savings and increased revenue resulting from those actions, to ensure they are aligned with the school district's needs and recovery plan.

    II. The adopted budget for the current fiscal year.

    III. Reserves for economic uncertainties.

    IV. Status of employee contracts.

    V. Obstacles to implementing the adopted recovery plan.

12. Use FCMAT's Fiscal Health Risk Analysis tool to annually evaluate the school district's risk of insolvency in the current and two subsequent fiscal years, and communicate any findings to the county superintendent.

13. Determine, with concurrence from the county superintendent and SPI, whether the school district is likely to comply with its approved recovery plan.

14. Provide regular updates to the county superintendent regarding the school district's progress toward fiscal stability.

15. Consult with and seek recommendations from the county superintendent, SPI and FCMAT about ensuring the school district's fiscal recovery and solvency.

16. Assist, as needed and pursuant to EC 41320.1, 41321 and 41322, in matters pertaining to the school district's fiscal recovery and solvency.

17. Review the school district's financial and budgetary conditions, including an analysis of internal controls, to determine if the district may be unable to meet its financial obligations for the current or two subsequent fiscal years, or if it should receive a qualified[2] or negative[3] interim financial certification.

18. Meet with appropriate school district staff, as needed, to assess the district's fiscal health, organizational structure and staffing, effectiveness of internal controls, and other related matters.

[2]A qualified certification is assigned when a district may not meet its financial obligations for either the current fiscal year or the two subsequent fiscal years.
[3]A negative certification is issued when a district cannot meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.

19. Consult with the school district governing board on fiscal and budgetary matters, facilities projects, debt obligations and other operational areas as needed.
20. Provide recommendations for improvements in school district processes related to the budget, such as position control, opportunities for cost containment, and reducing contributions from the general fund to restricted programs.
21. Ensure the school district conducts its business operations in accordance with statutory requirements and adheres to acceptable legal and professional standards.
22. Advise the county superintendent regarding potential actions to improve or protect the school district's fiscal solvency.
23. Provide additional support, technical assistance, professional learning, and advice in the Long Range Recovery Plan (LRRP) for the five operational areas defined by EC 41327.1 (financial management, facilities management, personnel management, community relations and governance, and pupil achievement). Focus on helping the school district address the recommendations identified in the LRRP to support its recovery, organizational effectiveness and future solvency. Report annually to the county superintendent regarding the school district's progress in implementing its LRRP.

Appendix B – Annual Report on the Financial Condition of the School District

VALLEJO CITY
UNIFIED SCHOOL DISTRICT

October 6, 2023

Melvin Iizuka, State Trustee
Solano County Office of Education
5100 Business Center Drive
Fairfield, CA 94534

Dear State Trustee, Mr. Iizuka,

Based on Education Code (EC) section 41321 (a), and (b), the District must present to you the District financial information for the closed academic year as follows;

(a) On or before October 31 of the year following receipt of an emergency apportionment, and each year thereafter, until the emergency apportionment, including interest, is repaid, the school district shall prepare a report on the financial condition of the school district. The report shall include, but not necessarily be limited to, 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.

(2) A copy of 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.

(b) The school district shall submit the report to the trustee for review. Upon the trustee's approval of the report, the school district shall transmit copies to the county superintendent of schools, the Superintendent, the president of the state board or his or her designee, and the Controller.

The comprehensive Annual Report of the Vallejo City Unified School District for the fiscal year ended June 30, 2023, is presented to you herewith, representing the financial plan for the district for the school year 2022-23.

VALLEJO CITY UNIFIED SCHOOL DISTRICT • 665 Walnut Avenue • Vallejo, CA 94592 • 707-556-8921 • **vcusd.org**

VALLEJO CITY
UNIFIED SCHOOL DISTRICT

2022-23 Adopted Budget

County Office Review of the 2022-23 Budget

By the Education Code (EC) section 42127, the Solano County Office of Education staff (SCOE) has reviewed Vallejo City Unified School District's 2022-23 adopted budget. On August 29, 2022, the district received a letter from the Superintendent of Schools determining that the District's budget complied with the Criteria and Standards adopted by the California State Board of Education (SBE); and that this shows the District will meet its financial obligations during the fiscal year 2022-23, and that is consistent with a financial plan that will enable the District to meet its multi-year financial commitments. Nevertheless, after reviewing the budget report's General Fund Components, the Superintendent of Schools noted concerns about the District's current and future fiscal health, such as the declining enrollment and forecasts that enrollment will decline in 2022-23 and the subsequent years.

The enrollment projections indicate a loss of 1,661 students over the course of the current fiscal year plus the two following fiscal years. This impacts the projected average daily attendance (ADA) and District revenues. The County Superintendent recognized that the 2022-23 Adopted Budget amended the funding formula for the Local Control Funding Formula (LCFF) Revenues to utilize the greater of the current year, the prior year, or the average of the most recent three previous years' ADA, and while this may allow an extended period to adjust budgets for significant ADA declines, it was strongly recommended that the District continue to take the necessary steps to align staffing and expenditures to the number of students served. Additionally, the County Superintendent noted that the Child Development Fund (Fund 12) projections showed that the 2021-22 Estimated Actuals budget for Other State Revenue appears to be higher than prior trends and the current year budget, creating concern as it is considered one of the Fiscal Crisis and Management Assistance Team's indicators of risk or potential insolvency; actual revenues and expenditures are inconsistent with the most current budget.

The County Superintendent's letter recommended monitoring budgets regularly to ensure that actual revenues and expenditures are not materially different from the budget.

	Unaudited Actuals					Estimated Actuals	Budget
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Other State	2,152,734	2,758,439	3,429,515	2,862,608	2,562,499	4,062,432	3,202,768

2023-24 Adopted Budget Narrative

General Fund Components:

For the 2022-23 school year, the District's primary budget comprised an estimated Average Daily Attendance (ADA) of 8,374.85 (excludes COE ADA of 2.89, and due to declining enrollment, the funded ADA was based on the 3-year ADA average of 9,645. The District's estimated unduplicated pupil percentage for supplemental and concentration funding is 80.24%. Lottery revenue was estimated at $163 per ADA for unrestricted purposes and $65 per ADA for restricted purposes. As well as the transitional Kindergarten ratio "add-on" is $2,813 per transitional kindergarten ADA. The mandated Cost Block Grant was $34.94 for K-8 ADA and $67.31 for 9-12 ADA.

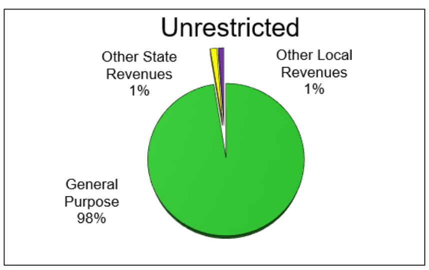
VALLEJO CITY
UNIFIED SCHOOL DISTRICT

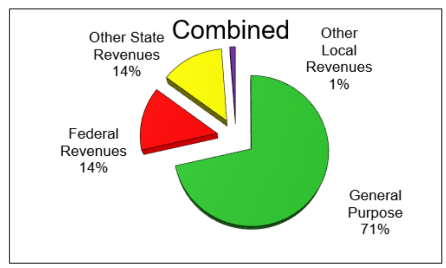
Revenue Assumptions:

The net changes to general-purpose revenues were primarily due to projected declines in enrollment and cost-of-living adjustments (COLA) of 5.38% in 2023-24 and 4.02% in 2024-25. The federal revenue was expected to decrease for 2023-24 due to the removal of one-time COVID assistance funds and remains constant thereafter. The state revenue was projected to decrease due to removing one-time funds and incorporating net changes in state special education (AB602) revenue based on projected COLAs and funded ADA. The local revenue was projected to remain constant for the subsequent years.

General Fund Revenue Components:

Description	Unrestricted	Combined
General Purpose Revenue (LCFF)	$125,406,960	$125,406,960
Federal Revenues	$0	$24,132,996
Other State Revenues	$1,835,926	$23,952,855
Other Local Revenues	$1,466,960	$2,083,593
TOTAL	**$128,709,846**	**$175,576,404**





Expenditures Assumptions:

The changes in salary costs due to certificated step & column increases of approximately 1.75% and classified step increases of approximately 1.10%. Unrestricted certificated salaries reflect the projected reduction of six certificated positions for 2023-24 and five certificated positions for 2024-25 due to projected enrollment loss. Additionally, the unrestricted portion of the general fund is projected to absorb the Virtual Academy & Independent Study salary & benefits (23 FTEs) since the COVID funds are expected to be exhausted in 2024-25. Restricted salaries are also projected to decrease due to removing activity relating to one-time COVID assistance funds. The benefits and pension rate were adjusted based on the salary changes noted previously. The unrestricted supplies were projected to have a net increase in 2023-24 and 2024-25 due to applying CPI increases and reducing classroom supply costs based on projected enrollment declines. Also, restricted supplies were projected to decrease in 23-24 due to the removal of activity associated with the one-time COVID assistance funds and applying the CPI to the supply budgets receiving unrestricted general fund contributions. The unrestricted other services and operating expenditures were projected to have a net increase in 2023-24 and 2024-25 due to applying the CPI to all services, adjusting for supplemental & concentration activity, and adjusting for election costs every other year. The restricted services were projected to have a net decrease in 2023-24 and a slight increase in 2024-

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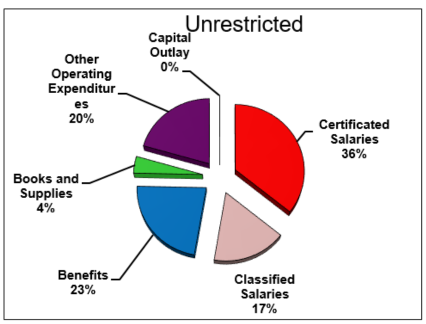
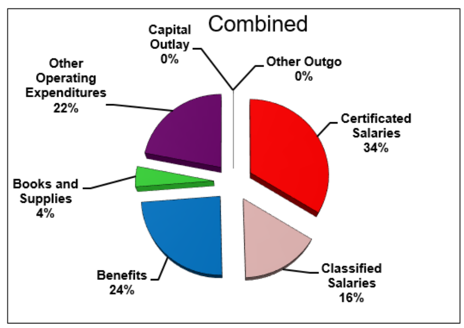
UNIFIED SCHOOL DISTRICT

25 due to a combination of the removal of one-time costs associated with COVID funding and the application of the CPI for programs receiving contributions from the unrestricted general fund. The capital outlay budget and the transfers of indirect costs were projected to remain relatively constant. Transfers-in are projected to remain relatively constant. The net reduction of transfers out relates to reducing the transfers-out related to satisfying the state loan payments and increasing the contribution to food services by $100,000 per year. The increase in contributions to restricted programs for subsequent years is primarily due to budgeting for restricted step & column increases and expected pension rate changes.

Operating Expenditures Components:

Description	Unrestricted	Combined
Certificated Salaries	$39,076,168	$59,369,242
Classified Salaries	$18,468,184	$27,863,586
Benefits (Payroll Taxes and Health & Welfare Contributions)	$24,748,766	$42,545,926
Books and Supplies	$4,442,864	$7,637,398
Other Operating Expenditures	$22,462,585	$38,505,313
Capital Outlay	$32,885	$32,885
Other Outgo	$0	$0
TOTAL	**$109,231,452**	**$175,954,350**





Estimated Fund Balances:

The District's 2023-24 General Fund projected deficit spending of $8.9 million, resulting in an ending General Fund balance of approximately $34.6 million. For 2024-25, the District projected the General Fund to deficit spending by $12.2 million, resulting in an ending General Fund balance of $22.3.

VALLEJO CITY
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2022-23 Adopted Budget

(Combined General Fund Multi-Year Projections)

	Object Code	2022-23 Total Revised Budget	2023-24 First Subsequent Year	2024-25 Second Subsequent Year
REVENUES				
LCFF Revenue	8010-8099	$ 125,406,960	$ 124,569,366	$ 118,803,170
Federal Revenue	8100-8299	$ 24,132,996	$ 9,897,469	$ 9,897,469
Other State Revenue	8300-8599	$ 23,952,855	$ 22,808,451	$ 22,954,460
Other Local Revenue	8600-8799	$ 2,083,593	$ 2,083,593	$ 2,083,593
TOTAL REVENUES		**$ 175,576,404**	**$ 159,358,879**	**$ 153,738,692**
EXPENDITURES				
Certificated Salaries	1000-1999	$ 59,369,242	$ 53,134,852	$ 53,688,867
Classified Salaries	2000-2999	$ 27,863,586	$ 27,309,819	$ 27,610,227
Employee Benefits	3000-3999	$ 42,545,926	$ 40,264,307	$ 40,292,081
Books and Supplies	4000-4999	$ 7,637,398	$ 7,489,534	$ 7,591,666
Services and Other Operating Expenditures	5000-5999	$ 38,505,313	$ 38,498,680	$ 37,796,647
Capital Outlay	6000-6999	$ 32,885	$ 32,885	$ 32,885
Other Outgo (excluding Indirect Costs)	7100-7299 7400-7499	$ -	$ -	$ -
Transfers of Indirect Costs	7300-7399	$ (750,245)	$ (750,245)	$ (750,245)
Other Adjustments		$ -	$ -	$ -
Other Adjustments		$ -	$ -	$ -
Unidentified Budget Enhancements		$ -	$ -	$ -
TOTAL EXPENDITURES		**$ 175,204,105**	**$ 165,979,832**	**$ 166,262,128**
OTHER FINANCING SOURCES/USES				
Transfers In and Other Sources	8900-8979	$ 775,000	$ 775,000	$ 775,000
Transfers Out and Other Uses	7600-7699	$ (3,212,287)	$ (3,076,140)	$ (500,000)
Net Other Sources (Uses)	8980-8999	$ -	$ -	$ -
Contributions	8980-8999	$ -	$ -	$ -
Net Increase (Decrease) in Fund Balance		**$ (2,064,988)**	**$ (8,922,093)**	**$ (12,248,436)**
BEGINNING FUND BALANCE	9791	**$ 45,585,865**	**$ 43,520,877**	**$ 34,598,784**
Audit Adjustments/Other Restatements	9793/9795	$ -		
ENDING FUND BALANCE		**$ 43,520,877**	**$ 34,598,784**	**$ 22,350,348**
COMPONENTS OF ENDING FUND BALANCE:				
Nonspendable	9711-9719	$ 255,910	$ 255,910	$ 255,910
Restricted	9740	$ 1,920,058	$ 1,920,058	$ 1,920,058
Committed	9750-9760	$ 34,983,308	$ 26,061,215	$ 13,812,779
Assigned	9780	$ -	$ -	$ -
Reserve for Economic Uncertainties	9789	$ 6,244,600	$ 5,917,000	$ 5,836,700
Unassigned/Unappropriated Amount	9790	$ 117,001	$ 444,601	$ 524,901
Total Estimated Fund Balance		**$ 43,520,877**	**$ 34,598,784**	**$ 22,350,348**
Reserve PCT (Unrestricted)		**3.57%**	**3.76%**	**3.81%**

VALLEJO CITY
UNIFIED SCHOOL DISTRICT

2022-23 First Interim

County Office Review of the 2022-23 First Interim.

In compliance with the provisions of Education Code (EC) Section 42130 et seq., the staff of the Solano County Office of Education (SCOE) conducted a review of the Vallejo City Unified School District's (District) first interim report. The staff in the context of current law and any known budgetary changes proposed during the review. In the review letter dated January 17, 2023, the county noted concerns about the fiscal health of the District; but at the time, the county concurred with the District's certification of Positive; the "District will meet its financial obligations for the current fiscal year and subsequent two fiscal years." However, the county's concurrence was based on the actions taken by the Board on December 14, 2022, to adopt Resolution No. 3065. That resolution committed the Board to identify and implement ongoing budget enhancements and/or reductions for 2023-24 to maintain the District's fiscal stability. The county's concerns about the current and future fiscal health of the District after the review of the first interim report were as follow:

1. **Multiyear Projections and Financial Impact of Certificated and Classified Compensation Increases**: The District's first interim multiyear projection report shows significant projected deficit spending in fiscal years 2022-23 and 2024-25. Deficit spending should be for one-time non-recurring expenditures to avoid depletion of the District's ongoing unrestricted reserves. Unrestricted General Fund net change is shown below:
   - 2022-23 (7.6M)
   - 2024-25 (4.3M)

   After filing the first interim report, SCOE has received the Assembly Bill (AB) 1200 salary disclosures for the collective bargaining agreement between the Vallejo Education Association (VEA), California School Employees Association Chapter #199 (CSEA), Vallejo Schools Managers Association (VSMA) and the District. The District Board is scheduled to act on these agreements at the January 18, 2023, Board meeting. The total compensation is an increase of about 11.58 percent, effective July 1, 2022, for salaries and January 1, 2023, for employer contribution to the health benefits cap. Additionally, the agreements include other one-time compensation funded from General Fund Restricted sources. SCOE requests that these costs be included in the 2022-23 second interim financial report.

   The costs of these agreements will have a further financial impact on the deficit spending beyond what has already been noted above. As a result, the District's Unrestricted General Fund is projected to have a negative fund balance in the 2024-25 year. The following table displays this information.

General Fund - Unrestricted
Changes in Fund Balance

	2022-23	2023-24	2024-25
Beginning Fund Balance	38,845,140	22,416,079	13,538,187
1st Interim Net Increase (Decrease)	(7,615,941)	975,515	(4,302,195)
Tentative Certificated and Classified Compensation Agreements	(8,813,120)	(9,853,407)	(9,963,615)
Projected Ending Fund Balance	**22,416,079**	**13,538,187**	**(727,623)**

VALLEJO CITY
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While we are confident that the District will continue to make the necessary decisions to address the projected deficits and negative fund balance and restore reserve levels, we remain concerned about the ongoing budget adjustments needed. Due to these concerns, we request that the District provides a comprehensive budget stabilization plan in the District's 2022-23 second interim report: including an updated Board-approved list of specific budget reductions with estimated savings and updated estimates of revenues and expenditures reflected. The evaluation of the plan's adequacy will be a factor in our determination of the District's second interim certification.

2. **Declining Enrollment and Attendance**: The District has been experiencing declining enrollment and forecasts that enrollment will decline in 2022-23 and the two subsequent years. The enrollment projections indicate a loss of 1,613 students over the course of the current fiscal year plus the two following fiscal years. This directly impacts the projected average daily attendance (ADA) and District revenues. We recognize that the 2022-23 Adopted Budget amended the funding formula for the Local Control Funding Formula (LCFF) Revenues to utilize the greater of the current year, prior year, or the average of the most recent three previous year's ADA. While this may allow an extended period of time to adjust budgets for significant ADA declines, we strongly recommend that the District continue to take the necessary steps to align staffing and expenditures to the number of students served.

   Furthermore, the District anticipates the enrollment-to-ADA ratio to be at 90 percent. From 2013-14 through 2019-20, the ADA-to-enrollment ratio was an average of 92 percent. We understand that there have been lower rates due to the effects of the COVID-19 pandemic in the last couple of years; nevertheless, we recommend that the District continues to monitor attendance changes and enrollment closely and develops and implements a plan to increase the attendance rates to prior levels or higher.

3. **Contingent Liabilities**: The District's first interim Criteria and Standards notes that the District has two cases under Assembly Bill 218, and one case is covered by the District's insurance; however, the second claim coverage is in question. The settlement amount for the potential uncovered case is unknown resulting in an unknown liability and possible financial risk to the District.

2022-23 First Interim Narrative

General Fund Components:

For the 2022-23 First Interim, the District's primary budget comprised an estimated Average Daily Attendance (ADA) of 8,410.5 (excludes COE ADA of 2.7). Due to declining enrollment, the funded ADA was based on the prior year's funded ADA of 9,913.25, which was under the utilization of the 3-year averaging method. The District's estimated unduplicated pupil percentage for supplemental and concentration funding was 77.80%. The lottery revenue was estimated at $170 per ADA for unrestricted purposes and $67 per ADA for restricted purposes. As well included in the budget components were the transitional Kindergarten ratio "add-on" of $2,813 per transitional kindergarten ADA and the mandated Cost Block Grant of $34.94 for K-8 ADA and $67.31 for 9-12 ADA.

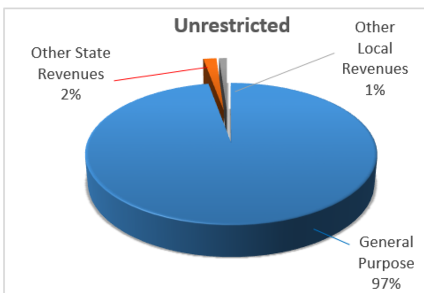
VALLEJO CITY UNIFIED SCHOOL DISTRICT

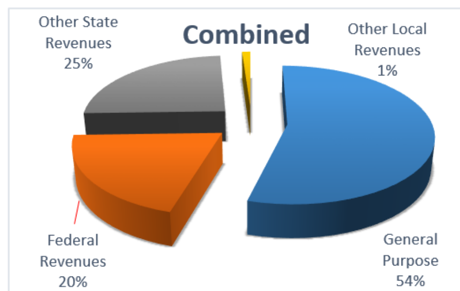
Revenue Assumptions:

Per enrollment trends, the District continued to anticipate declining enrollment. The Local Control Funding Formula used the Department of Finance's estimates of COLA and funding percentages toward the District's LCFF Target and Federal revenues project to remain constant for the subsequent years after the removal of one-time funds. The restricted state revenues included removing one-time funds in 23-24 and adjusting special education funding for 24-25. The restricted local revenue was projected to decrease for 2023-24 due to removing one-time funds.

General Fund Revenue Components

Description	Unrestricted	Combined
General Purpose Revenue (LCFF)	$134,394,123	$134,394,123
Federal Revenues	$0	$49,789,828
Other State Revenues	$2,482,092	$60,273,270
Other Local Revenues	$1,466,960	$2,670,803
TOTAL	$138,343,175	$247,128,024





Expenditure Assumptions:

The District anticipated the certificated step and column cost to increase by 1.75% yearly. Unrestricted certificated salaries included reducing 17 certificated positions in 2023-24 and 7 certificated positions for 2024-25 due to projected enrollment declines, and the classified step costs were projected to increase by 1.1% each year. Additionally, the unrestricted portion of the general fund was projected to absorb 11 FTEs (7 FTE certificated and 4 FTE classified) since the COVID funds are expected to be exhausted in 2023-24. Adjustments were made to benefits to reflect the effects of salary changes noted above, program adjustments, and adjustments to employer pension costs.

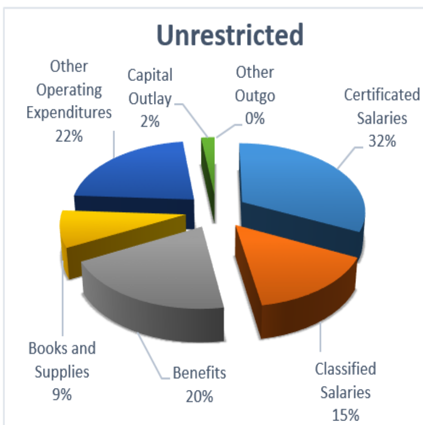
Unrestricted supplies and other operating expenses project a net decrease in 2023-24 and 2024-25 due to the removal of one-time LCAP carryover and offset by CPI increases. Restricted supplies and other operating expenses project to decrease in 23-24 due to the removal of activity associated with the one-time funds and offset by applying the CPI to the supply budgets receiving unrestricted general fund contributions. The capital outlay budget for unrestricted is projected to decrease beginning 2023-24 due to removing one-time costs related to facilities vandalism repairs—transfers of indirect costs project to remain relatively constant after removing one-time expenses. The

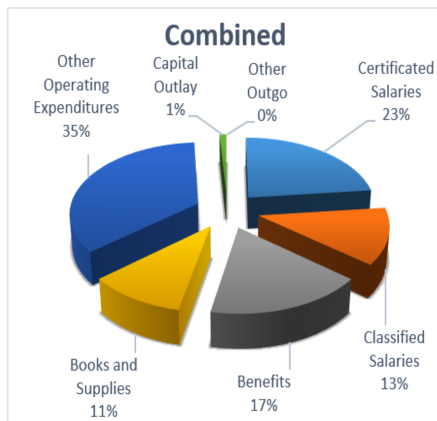
VALLEJO CITY UNIFIED SCHOOL DISTRICT

transfers-in project remains constant, while the transfers-out project declines in 24-25 due to satisfying the state loan. The contributions to restricted programs for subsequent years were projected to increase for step and column increases and changes in special education revenues.

Operating Expenditures Components

Description	Unrestricted	Combined
Certificated Salaries	$41,066,228	$61,136,801
Classified Salaries	$19,456,525	$33,250,647
Benefits (Payroll Taxes and Health & Welfare Contributions)	$25,611,790	$45,273,959
Books and Supplies	$10,943,548	$27,976,866
Other Operating Expenditures	$28,135,770	$92,674,005
Capital Outlay	$2,572,866	$2,572,866
Other Outgo	$0	$0
TOTAL	**$127,786,727**	**$262,885,144**





Estimated Ending Fund Balance:

For 2023-24, the District estimated a General Fund surplus of $975K, resulting in an ending General Fund balance of approximately $34M. For 2024-25, the District estimated a General Fund deficit spending of $4. 3M, resulting in an ending General Fund balance of $29.7M.

Components of ending fund balance for current and two subsequent years in accordance with Senate Bill 858 disclosure requirements that show the amounts over the State mandated reserve of 3.0% of total General Fund outgo:

VALLEJO CITY
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Description	2022-23	2023-24	2024-25
24-25 Deficit Spending	$4,302,195	$4,302,195	
25-26 Deficit Spending		$9,570,761	$9,570,761
Subsequent Years Deficit Reserve	$8,688,544	$3,097,805	$3,201,135
P&L Insurance Deductible Increase	$2,928,490	$2,928,490	$2,928,490
Uncovered Claims (AB218)	$2,000,000	$2,000,000	$2,000,000
Facilities Projects (uncovered open claims)	$2,000,000	$2,000,000	$2,000,000
Minimum salary increase per negotiations	$1,629,000	$1,629,000	$1,629,000
Amount Disclosed per SB 858 Requirements	**$21,548,229**	**$25,528,251**	**$21,329,386**
Nonspendable Reserves	$255,910	$255,910	$255,910
Restricted Reserves	$1,785,809	$1,785,809	$1,785,809
State Reserve for Economic Uncertainty (REU)	$9,276,200	$6,154,700	$6,123,300
Unallocated	$148,860	$265,854	$193,924
Estimated Ending Fund Balance (rounding)	*$33,015,008*	*$33,990,524*	*$29,688,329*

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VALLEJO CITY UNIFIED SCHOOL DISTRICT

2022-23 First Interim

Combined General Fund Multi-Year Projections

	Object Code	2022-23 Total Revised Budget	2023-24 First Subsequent Year	2024-25 Second Subsequent Year
REVENUES				
LCFF Revenue	8010-8099	$ 134,394,123	$ 133,104,638	$ 126,751,038
Federal Revenue	8100-8299	$ 49,789,828	$ 9,607,617	$ 9,607,617
Other State Revenue	8300-8599	$ 60,273,270	$ 31,467,821	$ 31,648,549
Other Local Revenue	8600-8799	$ 2,670,803	$ 1,866,960	$ 1,866,960
TOTAL REVENUES		**$ 247,128,024**	**$ 176,047,036**	**$ 169,874,164**
EXPENDITURES				
Certificated Salaries	1000-1999	$ 61,136,801	$ 53,923,262	$ 54,339,854
Classified Salaries	2000-2999	$ 33,250,647	$ 28,695,925	$ 30,146,741
Employee Benefits	3000-3999	$ 45,273,959	$ 40,843,350	$ 41,379,324
Books and Supplies	4000-4999	$ 27,976,866	$ 10,098,684	$ 10,199,166
Services and Other Operating Expenditures	5000-5999	$ 92,674,005	$ 39,796,394	$ 38,638,865
Capital Outlay	6000-6999	$ 2,572,866	$ 26,865	$ 26,865
Other Outgo (excuding Indirect Costs)	7100-7299 7400-7499	$ -	$ -	$ -
Transfers of Indirect Costs	7300-7399	$ (1,065,122)	$ (750,245)	$ (750,245)
Other Adjustments		$ -	$ -	$ -
Other Adjustments		$ -	$ -	$ -
Unidentified Budget Enhancements		$ -	$ -	$ -
TOTAL EXPENDITURES		**$ 261,820,022**	**$ 172,634,234**	**$ 173,980,569**
OTHER FINANCING SOURCES/USES				
Transfers In and Other Sources	8900-8979	$ 775,000	$ 775,000	$ 775,000
Transfers Out and Other Uses	7600-7699	$ (3,212,287)	$ (3,212,287)	$ (970,790)
Net Other Sources (Uses)	8980-8999	$ -	$ -	$ -
Contributions	8980-8999	$ -	$ -	$ -
Net Increase (Decrease) in Fund Balance		**$ (17,129,285)**	**$ 975,515**	**$ (4,302,195)**
BEGINNING FUND BALANCE	9791	**$ 50,144,293**	**$ 33,015,008**	**$ 33,990,523**
Audit Adjustments/Other Restatements	9793/9795	$ -		
ENDING FUND BALANCE		**$ 33,015,008**	**$ 33,990,523**	**$ 29,688,329**
COMPONENTS OF ENDING FUND BALANCE:				
Nonspendable	9711-9719	$ 255,910	$ 255,910	$ 255,910
Restricted	9740	$ 1,785,809	$ 1,785,809	$ 1,785,809
Committed	9750-9760	$ 21,548,229	$ 25,528,251	$ 21,329,386
Assigned	9780	$ -		
Reserve for Economic Uncertainties	9789	$ 9,276,200	$ 6,154,700	$ 6,123,300
Unassigned/Unappropriated Amount	9790	$ 148,860	$ 265,854	$ 193,924
Total Estimated Fund Balance		**$ 33,015,008**	**$ 33,990,524**	**$ 29,688,329**
Reserve PCT (Unrestricted)		**3.56%**	**3.65%**	**3.61%**

VALLEJO CITY
UNIFIED SCHOOL DISTRICT

2022-23 Second Interim

County Office Review of the 2022-23 Second Interim.

In compliance with the provisions of Education Code (EC) Section 42130 et seq., the Solano County Office of Education (SCOE) staff conducted a review of the Vallejo City Unified School District's (District) second interim report. The staff analyzed the report in the context of current law and any known budgetary changes proposed during the review. In the review letter dated April 24, 2023, the county expressed concerns about the District's fiscal health; however, the county concurred with the District's certification of Positive; the "District will meet its financial obligations for the current fiscal year and subsequent two fiscal years." Noted below are the County Office of Education's concerns and requests made during the review, to which the District responded accordingly.

1. **Emergency Apportionment Loan:** Based on the 2021-22 Audit report, it was discovered that the long-term liabilities related to the state emergency apportionment loan were understated by an estimated $2.4M. The District reported working on reconciling the debt payments with the state and has submitted to our office a copy of the reconciliation. The District anticipates that restatement will be reversed in the 2022-23 audit.

2. **Budget Stabilization Plan**: In the previous reporting period, I requested a comprehensive budget stabilization plan that included an updated Board-approved list of specific budget reductions with estimated savings and updated estimates of revenues and expenditures reflected. The District has submitted to our office a plan for 2023-24 to reduce the projected deficit spending. Our office is currently reviewing the plan and will monitor its implementation during the 2023-24 adopted budget.

3. **Declining Enrollment and Attendance:** The District has been experiencing declining enrollment and forecasts that enrollment will decline in 2022-23 and the two subsequent years. The enrollment projections indicate a loss of 978 students over the course of the current fiscal year plus the two following fiscal years. This impacts the projected average daily attendance (ADA) and District revenues. The District anticipates the enrollment-to-ADA ratio to be at 87 percent. From 2013-14 through 2019-20, the ADA-to-enrollment ratio was an average of 92 percent. We understand that there have been lower rates due to the effects of the COVID-19 pandemic in the last couple of years; nevertheless, we recommend that the District continues to monitor attendance changes and enrollment closely to increase the attendance rates to prior levels or higher.

4. **Local Control and Accountability Plan (LCAP) Carryover Requirement**: We remind the District that Supplemental and Concentration (S&C) grant funding is included in the Local Control Funding Formula to increase and/or improve services to low-income, English learner, and foster youth student populations. To properly serve these targeted student groups, it is recommended that districts review the actions and services in the LCAP throughout the year to ensure meeting the requirement to increase or improve services. Based on the components of the fund balance.

VALLEJO CITY
UNIFIED SCHOOL DISTRICT

2022-23 Second Interim Narrative

General Fund Components:

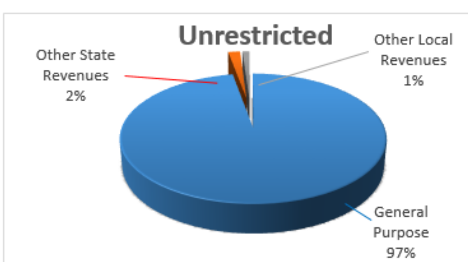
For the 2022-23 Second Interim, the District's primary budget was composed of an estimated Average Daily Attendance (ADA) of 8,666.07 (excludes COE ADA of 1.52). Due to declining enrollment, the funded ADA was based on the prior year's funded ADA of 9,908.44, utilizing the 3-year averaging method—also, the District's estimated unduplicated pupil percentage for supplemental and concentration funding of 80.64%. The lottery revenue was estimated to be $170 per ADA for unrestricted purposes and $67 per ADA for restricted purposes. The transitional Kindergarten ratio "add-on" was $3,042 per transitional kindergarten ADA, and the mandated Cost Block Grant was $34.94 for K-8 ADA and $67.31 for 9-12 ADA.

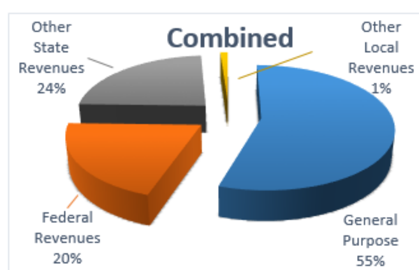
Revenue Assumptions:

For the 2022-23 Second Interim, the District project continued declining enrollment affecting the funded ADA. Cost of living adjustment (COLA) of 8.13% in 2023-24 and 3.54% in 2024-25. The federal revenue was expected to decrease for 2023-24 due to the removal of one-time funds and remains constant thereafter. The state revenue was projected to decrease due to the removal of one-time funds and incorporation of the net changes in state special education (AB602) revenue based on projected COLAs and funded ADA. The local revenue included prior year revenues and was projected to remain constant for the subsequent years after removing one-time funds. Additionally, as part of the district's stabilization plan, ongoing $5M vacancy budget reductions/adjustments were included in the 2023-24 projected budget.

General Fund Revenue Components

Description	Unrestricted	Combined
General Purpose Revenue (LCFF)	$137,259,931	$137,259,931
Federal Revenues	$0	$50,737,588
Other State Revenues	$2,528,092	$58,554,595
Other Local Revenues	$1,466,960	$2,680,005
TOTAL	**$141,254,983**	**$249,232,119**





Expenditure Assumptions:

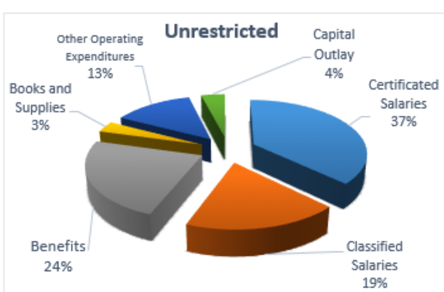
VALLEJO CITY UNIFIED SCHOOL DISTRICT

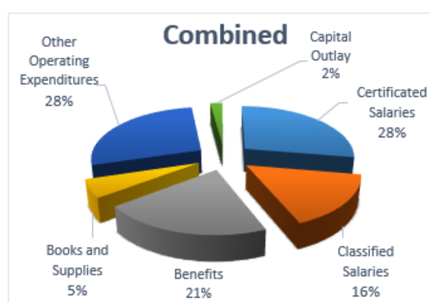
The District projected cost for step & column of 1.75% for certificated staff and 1.10% for classified. Unrestricted certificated salaries reflected the projected reduction of 16 certificated positions for 2023-24 due to declining enrollment and budget realignments and six certificated positions for 2024-25 due to projected enrollment loss. Additionally, the unrestricted portion of the general fund was projected to absorb the Virtual Academy & Independent Study salary & benefits (11 FTEs) since the COVID funds were expected to be exhausted in 2024-25. The restricted salaries are also projected to decrease due to removing activity relating to one-time COVID assistance funds. And the ongoing salary increases due to the board-approved agreements with all bargaining units.

Additionally, benefits and pension rates were adjusted based on the salary changes noted above and accounted for the PERS increase of 1.63% in 2023-24 and an additional 1.10% in 2024-25—a total of 2.73% increase in the two years. The unrestricted supplies and other operating expenses projected a net decrease in 2023-24 and 2024-25 due to the removal of one-time LCAP carryover and offset by CPI increases. The restricted supplies and other operating expenses were projected to decrease in 23-24 due to the removal of activity associated with the one-time funds and offset by applying the CPI to the supply budgets receiving unrestricted general fund contributions. The capital outlay budget for unrestricted was projected to decrease beginning 2023-24 due to removing one-time costs related to facilities vandalism repairs and transfers of indirect costs project to remain relatively constant after removing one-time expenses. Transfers-in were projected to remain constant while the transfers-out were estimated to decrease in 24-25 due to satisfying the state loan. The contributions to restricted programs for subsequent years were projected to increase due to step and column increases and changes in special education revenues.

Operating Expenditure Components

Description	Unrestricted	Combined
Certificated Salaries	$44,369,782	$63,433,801
Classified Salaries	$22,070,974	$36,961,261
Benefits (Payroll Taxes and Health & Welfare Contributions)	$27,981,255	$47,876,385
Books and Supplies	$3,994,254	$12,748,732
Other Operating Expenditures	$15,841,773	$63,368,286
Capital Outlay	$4,754,348	$4,791,384
Other Outgo	$0	$0
TOTAL	**$119,012,386**	**$229,179,849**





VALLEJO CITY
UNIFIED SCHOOL DISTRICT

Estimated Ending Fund Balance

During the Second Interim, the District estimated the 2023-24 General Fund would have a deficit spending of (2M), resulting in an ending General Fund balance of approximately $66.7M. And for 2024-25, the District estimated that the General Fund would have a deficit spending of (7.3M), resulting in an ending General Fund balance of $59.4M. Components of ending fund balance for current and two subsequent years in accordance with Senate Bill 858 disclosure requirements that show the amounts over the State mandated reserve of 3.0% of total General Fund outgo:

Description	2022-23	2023-24	2024-25
Subsequent Years Deficit Reserve	$4,111,152	$10,646,404	$3,320,837
Supplemental & Concentration 2022-23	$20,353,963	$0	
Supplemental & Concentration Carryover 2021-22	$0	$13,106,813	$13,106,813
P&L Insurance Deductible Increase	$2,000,000	$2,000,000	$2,000,000
Uncovered Claims (AB218)	$2,000,000	$2,000,000	$2,000,000
Facilities Projects (uncovered open claims)	$2,500,000	$2,500,000	$2,500,000
Amount Disclosed per SB 858 Requirements	**$30,965,115**	**$30,253,217**	**$22,927,650**
Nonspendable Reserves	$255,910	$255,910	$255,910
Restricted Reserves	$29,357,784	$29,357,784	$29,357,784
State Reserve for Economic Uncertainty (REU)	$8,096,500	$6,627,600	$6,665,100
Unallocated	$148,860	$265,854	$193,924
Estimated Ending Fund Balance (rounding)	*$68,824,169*	*$66,760,365*	*$59,400,368*

VALLEJO CITY
UNIFIED SCHOOL DISTRICT

2022-23 Second Interim

Combined General Fund Multi-Year Projections

	Object Code	2022-23 Total Revised Budget	2023-24 First Subsequent Year	2024-25 Second Subsequent Year
REVENUES				
LCFF Revenue	8010-8099	$ 137,259,931	$ 141,783,964	$ 137,110,258
Federal Revenue	8100-8299	$ 50,737,588	$ 8,610,111	$ 8,610,111
Other State Revenue	8300-8599	$ 58,554,595	$ 34,257,404	$ 34,708,306
Other Local Revenue	8600-8799	$ 2,680,005	$ 1,866,960	$ 1,866,960
TOTAL REVENUES		**$ 249,232,119**	**$ 186,518,439**	**$ 182,295,635**
EXPENDITURES				
Certificated Salaries	1000-1999	$ 63,433,801	$ 54,902,063	$ 55,398,869
Classified Salaries	2000-2999	$ 36,961,261	$ 31,409,009	$ 32,889,668
Employee Benefits	3000-3999	$ 47,876,385	$ 42,493,252	$ 43,631,061
Books and Supplies	4000-4999	$ 12,748,732	$ 10,848,419	$ 10,766,968
Services and Other Operating Expenditures	5000-5999	$ 63,368,286	$ 45,007,540	$ 45,288,603
Capital Outlay	6000-6999	$ 4,791,384	$ 2,234,918	$ 2,234,918
Other Outgo (excuding Indirect Costs)	7100-7299 7400-7499	$ -	$ -	$ -
Transfers of Indirect Costs	7300-7399	$ (1,064,893)	$ (750,245)	$ (750,245)
Other Adjustments		$ -	$ -	$ -
Other Adjustments		$ -	$ -	$ -
Unidentified Budget Enhancements		$ -	$ -	$ -
TOTAL EXPENDITURES		**$ 228,114,956**	**$ 186,144,956**	**$ 189,459,842**
OTHER FINANCING SOURCES/USES				
Transfers In and Other Sources	8900-8979	$ 775,000	$ 775,000	$ 775,000
Transfers Out and Other Uses	7600-7699	$ (3,212,287)	$ (3,212,287)	$ (970,790)
Net Other Sources (Uses)	8980-8999	$ -	$ -	$ -
Contributions	8980-8999	$ -	$ -	$ -
Net Increase (Decrease) in Fund Balance		**$ 18,679,876**	**$ (2,063,804)**	**$ (7,359,997)**
BEGINNING FUND BALANCE	9791	**$ 50,144,293**	**$ 68,824,169**	**$ 66,760,365**
Audit Adjustments/Other Restatements	9793/9795	$ -		
ENDING FUND BALANCE		**$ 68,824,169**	**$ 66,760,365**	**$ 59,400,369**
COMPONENTS OF ENDING FUND BALANCE:				
Nonspendable	9711-9719	$ 255,910	$ 255,910	$ 255,910
Restricted	9740	$ 29,357,784	$ 29,357,784	$ 29,357,784
Committed	9750-9760	$ 30,965,115	$ 30,253,218	$ 22,927,651
Assigned	9780	$ -	$ -	$ -
Reserve for Economic Uncertainties	9789	$ 8,096,500	$ 6,627,600	$ 6,665,100
Unassigned/Unappropriated Amount	9790	$ 148,860	$ 265,854	$ 193,924
Total Estimated Fund Balance		**$ 68,824,169**	**$ 66,760,366**	**$ 59,400,369**
Reserve PCT (Unrestricted)		**3.56%**	**3.64%**	**3.60%**

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VALLEJO CITY
UNIFIED SCHOOL DISTRICT

2022-23 Unaudited Actuals

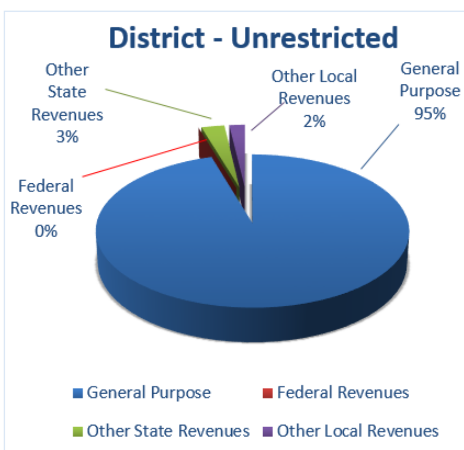
For the 2022-23 Unaudited Actuals, the district's primary budget was funded on a 3-year average ADA of **9,967.36**. Property taxes received during the fiscal year were $ 38.3 million, an increase of approximately $2.2 million from the prior year, with a total of $7.7 million for Property Tax Net in Lieu to charter schools. Please note that amounts paid to the charter schools for their share of property taxes do not impact revenues since the District receives a corresponding increase in state aid. The District recorded approximately $205,842 of oversight costs from the charter schools.

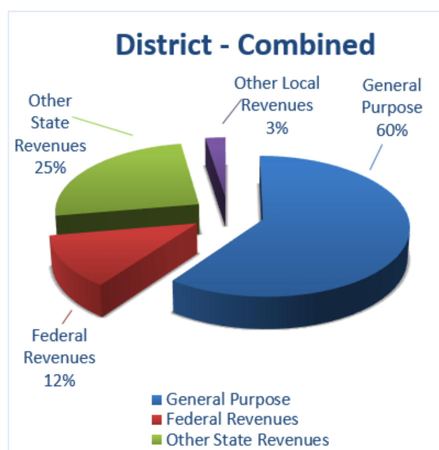
Lottery revenue was $204 per ADA for unrestricted purposes and $100 per ADA for restricted purposes, which resulted in approximately $1.6 million and $0.82 million, respectively. The mandated Cost Block Grant for K-8 ADA was $34.94, and $67.31 for 19-20 K-8 ADA, resulting in $375,825. Due to food service program changes, the District's food service program had a net operating surplus of $1,023,816.08.

General Fund Revenue Components

The District receives funding for its general operations from various sources. A summary of the major funding sources is illustrated below:

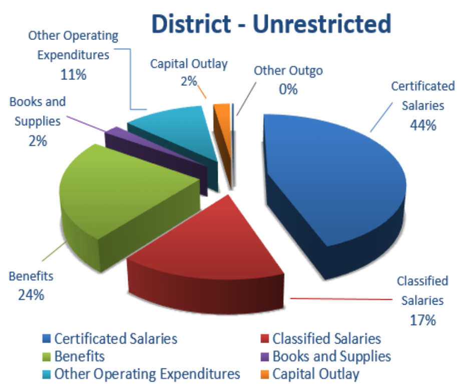
Description	District	
	Unrestricted	Combined
General Purpose Revenue (LCFF)	$137,279,259	$137,279,259
Federal Revenues	$0	$28,029,679
Other State Revenues	$3,956,670	$57,613,764
Other Local Revenues	$3,302,604	$5,754,010
TOTAL	**$144,538,533**	**$228,676,712**

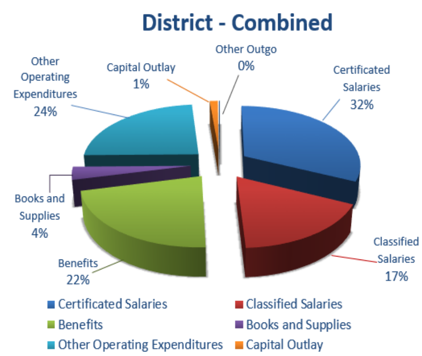




Operating Expenditure Components

	District	
Description	**Unrestricted**	**Combined**
Certificated Salaries	$47,429,677	$60,396,782
Classified Salaries	$17,650,973	$32,605,123
Benefits (Payroll Taxes and H&W)	$25,141,815	$41,603,868
Books and Supplies	$2,322,642	$6,599,270
Other Operating Expenditures	$11,768,497	$44,986,711
Capital Outlay	$2,402,441	$2,444,411
Other Outgo (Excluding Indirect Cost)	$237,215	$237,215
TOTAL	**$106,953,260**	**$188,873,380**





Unaudited Ending Fund Balance

Therefore, the ending fund General Fund balance is $85.5 million. The District's ending fund balance components are as follows: revolving cash & other nonspendable $1.6 million; restricted programs $37 million; committed $31.9 million; stabilization arrangements $5.7 million; economic uncertainty $7.1 million; unassigned $148,860.

VALLEJO CITY
UNIFIED SCHOOL DISTRICT

2022-23 Unaudited Actuals

Combined General Fund Estimated to Unaudited Actuals Reconciliation

	Object Code	2022-23 Estimated Actuals Combined	2022-23 Unaudited Actuals Combined	Variance From Estimated to Actuals Combined
REVENUES				
LCFF Revenue	8010-8099	$ 137,140,571	$ 137,279,259	$ 138,688
Federal Revenue	8100-8299	$ 40,022,091	$ 28,029,679	$ (11,992,413)
Other State Revenue	8300-8599	$ 58,389,922	$ 57,613,764	$ (776,158)
Other Local Revenue	8600-8799	$ 3,427,000	$ 5,754,010	$ 2,327,010
TOTAL REVENUES		**$ 238,979,584**	**$ 228,676,712**	**$ (10,302,872)**
EXPENDITURES				
Certificated Salaries	1000-1999	$ 63,290,710	$ 60,396,782	$ (2,893,928)
Classified Salaries	2000-2999	$ 35,892,776	$ 32,605,123	$ (3,287,653)
Employee Benefits	3000-3999	$ 44,848,423	$ 41,603,868	$ (3,244,555)
Books and Supplies	4000-4999	$ 11,322,504	$ 6,599,270	$ (4,723,234)
Services and Other Operating Expenditures	5000-5999	$ 56,875,187	$ 44,986,711	$ (11,888,476)
Capital Outlay	6000-6999	$ 5,250,976	$ 2,444,411	$ (2,806,565)
Other Outgo (excuding Indirect Costs)	7100-7299 7400-7499	$ 26,771	$ 237,215	$ 210,444
Transfers of Indirect Costs	7300-7399	$ (1,073,098)	$ (605,485)	$ 467,613
Other Adjustments		$ -	$ -	$ -
Total Expenditures		**$ 216,434,249**	**$ 188,267,895**	**$ (28,166,354)**
Excess / (Deficiency)		**$ 22,545,335**	**$ 40,408,817**	**$ 17,863,482**
OTHER FINANCING SOURCES/USES				
Transfers In and Other Sources	8900-8979	$ 9,380,355	$ 8,605,355	$ (775,000)
Transfers Out and Other Uses	7600-7699	$ (11,817,642)	$ (13,682,663)	$ (1,865,021)
Net Other Sources (Uses)	8980-8999	$ -	$ -	$ -
Contributions	8980-8999	$ -	$ -	$ -
Total Financing Sources/Uses		**$ (2,437,287)**	**$ (5,077,308)**	**$ (2,640,021)**
Net Increase (Decrease) in Fund Balance		**$ 20,108,048**	**$ 35,331,509**	**$ 15,223,461**
FUND BALANCE, RESERVES				
Beginning Fund Balance	9791	**$ 50,144,293**	**$ 50,247,796**	**$ 103,503**
ENDING FUND BALANCE		**$ 70,252,341**	**$ 85,579,305**	**$ 15,326,964**
COMPONENTS OF ENDING FUND BALANCE:				
Nonspendable	9711-9719	$ 255,910	$ 1,661,177	$ 1,405,267
Restricted	9740	$ 32,053,800	$ 39,000,253	$ 6,946,453
Committed	9750-9760	$ 27,927,635	$ 37,700,745	$ 9,773,110
Other Assigned	9780	$ 1,877,236	$ -	$ (1,877,236)
Reserve for Economic Uncertainties	9789	$ 7,988,900	$ 7,068,270	$ (920,630)
Unassigned/Unappropriated Amount	9790	$ 148,860	$ 148,860	$ -
Total Estimated Fund Balance		**$ 70,252,341**	**$ 85,579,306**	**$ 15,326,965**
			(rounding)	(rounding)

VALLEJO CITY
UNIFIED SCHOOL DISTRICT

Conclusion

This financial report was designed to provide the State Trustee and the Board of Trustees a comprehensive overview of the District's finances for the entire 2022-23 school year, as the information provided with the financial reports submitted during the fiscal year reflected the District's financial position and assumptions at specific times. The last process to close the 2022-23 school year will be the audit review of the District's finances by external auditors that will render their opinion by December 15, 2023.

I appreciate the Solano County Office of Education's support with each of the District's financial reports review during 2022-23. Similarly, I want to thank the Business Services staff members for their hard work in completing the fiscal year 2022-23 financial reports.

If our office can help you further, please call me at (707) 556-8921 extension 50075.

Sincerely,

Rosa Ma Loza
Chief Business Official
Vallejo City Unified School District

Cc: Christy Gardner, President, VCUSD
William Spalding, Superintendent, VCUSD
Members of the Board of Education, VCUSD
Lissette Estrella-Henderson, Superintendent of Schools, SCOE
Michelle Henson, Deputy Superintendent, Administrative Services and Operations, SCOE

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Appendix C – Study Agreement

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
FOR COE EVALUATION

This study agreement, hereinafter referred to as Agreement, is made and entered into by and between the Fiscal Crisis and Management Assistance Team, hereinafter referred to as the Team or FCMAT, and the Solano County Office of Education, hereinafter referred to as the Client; collectively, FCMAT and Client are hereinafter referred to as the Parties. This Agreement shall become effective from the date of execution hereof by FCMAT.

1. **BASIS OF AGREEMENT**

FCMAT provides a variety of services to local education agencies (LEAs) as authorized by Education Code (EC) 42127.8(d) and 84041. In accordance with state budget act provisions and Education Code Section 41326(1), FCMAT will study the Client's fiscal oversight specific to the Vallejo Unified School District receiving an emergency apportionment. 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.

FCMAT will assign professionals to conduct the study. The professionals will include FCMAT staff and may include professionals from county offices of education, school districts, charter schools, community colleges, other public agencies or private contractors. All professionals assigned shall work under the direction of FCMAT. All work shall be performed in accordance with the terms and conditions of this Agreement.

2. **SCOPE OF THE WORK**

A. Scope and Objectives of the Study

Conduct an annual follow-up evaluation of the county superintendent of school's fiscal oversight provided to the Vallejo Unified 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 Client's location to brief the Client's management and supervisory personnel on the Team's procedures and the purpose and schedule of the study. This orientation meeting is normally held at the beginning of fieldwork for the study.

2. Fieldwork
The Team will conduct fieldwork at the Client's office and/or school site(s), or other locations as needed. Limited fieldwork may also be conducted remotely via telephone or videoconferencing services, in addition to Public Safety Considerations outlined in Section 13 below.

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3. Exit Meeting
The Team will hold an exit meeting at the conclusion of the fieldwork to inform the Client of the status of the study. The exit meeting will include a review of the scope of work, outstanding items, including documents, data and interviews not yet received or held, and the estimated timeline for a draft report. The meeting will not memorialize details regarding findings because the Team's conclusions may change after a complete analysis is finished. Exceptions to this will be findings of immediate health and safety concerns for students or staff, and other time-sensitive items that include the potential for risk or exposure to loss.

4. Exit Letter
Approximately five business days after the exit meeting, the Team will issue an exit letter briefly memorializing the topics discussed in the exit meeting.

5. Draft Report
An electronic copy of a preliminary draft report will be delivered to the Client's point of contact identified below for review and comment.

6. Final Report
An electronic copy of the final report will be delivered to the Client's point of contact and to the Client's county superintendent of schools following completion of the study. FCMAT's work products are public and all final reports are published on the FCMAT website.

7. Board Presentation
Presentations to the Client's board will be made depending on the Client's risk rating. If the risk rating is low, the board presentation is optional and will be considered at the request of the Client. If the risk rating is moderate or high, the Team will make a board presentation at the Client's first regularly scheduled board meeting following the issuance of the final report. If the Team is unable to present at the first regularly scheduled board meeting following the issuance of the final report, the Team will make a board presentation at a regularly scheduled board meeting that is mutually agreeable to the Parties.

3. PROJECT PERSONNEL

The personnel assigned to the study will be led by a FCMAT staff person (job lead) and will include at least one other professional. FCMAT will notify the Client of the assigned personnel when the fully executed copy of this Agreement is returned to the Client.

FCMAT will communicate to the Client any changes in assigned project personnel.

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4. PROJECT COSTS

Pursuant to the state budget act, costs for the study will be covered by a specific state appropriation for this purpose. FCMAT will not charge the Client for any costs.

5. RESPONSIBILITIES OF THE CLIENT

A. Return current organizational chart(s) that show the Client's management and staffing structure with the signed copy of this Agreement. Organizational charts should be relevant to the scope of this Agreement.

B. Provide private office or conference room space for the Team's use during fieldwork.

C. Provide for a Client employee to upload all requested documents and data to FCMAT's online SharePoint repository per FCMAT's instructions. Provide FCMAT with the name and email of the person who will be responsible for collecting and uploading documents requested by FCMAT with the signed copy of this Agreement.

D. Provide documents and data requested on the Team's initial and supplementary document request list(s) by the date requested.

All documents and data provided shall be responsive to FCMAT's request, in quality condition, readable and in a usable form. With few exceptions, documents and data requested are public records and records maintained by LEAs in the routine course of doing business. Some data requested may require exporting LEA financial system reports to Microsoft Excel or another usable format agreed to by FCMAT.

All documents shall be provided to FCMAT in electronic format, labeled as instructed by FCMAT. Upon approval of this Agreement, access will be provided to FCMAT's online SharePoint repository, to which the Client will upload all requested documents and data.

E. Ensure appropriate senior-level staff are available for the orientation and exit meetings.

F. Facilitate access to requested board members, officers and staff for interviews.

G. Facilitate access to requested information and facilities to include, but not be limited to, files, sites, classrooms and operational areas for observation.

H. Review a draft of the report and return it to FCMAT by the date FCMAT requests with any comments regarding the accuracy of the report's data or the practicability of its recommendations. The Team will review this feedback in a timely manner and make any adjustments it deems necessary before issuing the final report.

I. Return the requested evaluation survey to FCMAT as described below.

6. PROJECT SCHEDULE

Time is of the essence. The Parties acknowledge that the goal of the scope and objectives of the study under this Agreement is to produce a timely and thorough report that adds value for the Client. This goal is especially important given that the Client has experienced an event described under Basis of Agreement that may indicate fiscal distress. To accomplish this goal, the Parties agree to communicate and mutually agree to honor established time commitments. These commitments include the Client providing requested documents, setting and keeping interview appointments and returning comments on the draft report consistent with the established project schedule.

The following project schedule milestones will be established by FCMAT upon receipt of a signed Agreement from the Client:

ACTION	TIMELINE
FCMAT provides Client with a draft Agreement.	Draft Agreements are usually provided within 20 business days of the Client's triggered event.
Client returns partially executed Agreement to FCMAT along with the applicable organizational chart and the name and email of the of person who will be responsible for collecting and uploading documents requested by FCMAT.	Draft Agreements are valid for 30 business days.
FCMAT returns a fully executed Agreement to the Client and identifies the project schedule and the lead and other personnel assigned to the job.	Within five business days of the Client's return of the signed Agreement.
Client uploads initial requested documents and data to FCMAT's online SharePoint repository.	Within five business days of the Client's receipt of the FCMAT document and data request list.
Fieldwork	Mutually agreed upon; usually, to commence within five business days of FCMAT's receipt of requested documents and data.
Orientation meeting	First day of fieldwork
Exit meeting	Last day of fieldwork
Follow up fieldwork, if needed (e.g., rescheduled interview, additional interviews).	Mutually agreed upon; usually, within five business days of FCMAT's request.
Client uploads supplemental documents and data to FCMAT's online SharePoint repository.	Within two business days of the Client's receipt of FCMAT's supplemental document and data request(s).
Draft report submitted to the Client.	To be determined, usually, within four weeks of the conclusion of fieldwork and receipt of all documents and data requested.
Client comments on draft report	Within five business days of FCMAT providing a draft report to the Client.

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The Client acknowledges that project schedule deadlines build upon and are contingent on each previous deadline. Missed deadline dates will affect future deadline dates and ultimately the timing of the final report. For example, if the Client does not provide requested documents and data by the specified date, the fieldwork may not be able to proceed as originally planned.

FCMAT acknowledges that the Client has an educational program to administer, is balancing many priorities, and in some cases may have records management difficulties, staffing capacity issues, staff on various types of leave, or other circumstances, all of which will affect the project schedule.

The Parties commit to regular communication and updates about the study schedule and work progress. FCMAT may modify the usual timelines as needed.

7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

FCMAT will commence work as soon as it has assembled an available and appropriate study team, taking into consideration other jobs FCMAT has previously undertaken, and assignments from the state, and higher priority assignments due to fiscal distress. The Team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the Client and any other related 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 report. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a final report once fieldwork has been completed.

FCMAT may terminate this Agreement at any time if the Client fails to cooperate with the requested project schedule, provide requested documents and data and/or make staff available for interviews as requested by FCMAT. If FCMAT terminates the Agreement, FCMAT will issue a management letter in lieu of the final report explaining the reasons why FCMAT terminated the Agreement and reporting on any elements for which data was collected and a conclusion could be reached.

8. INDEPENDENT CONTRACTOR

FCMAT is an independent contractor and is not an employee or engaged in any manner with the Client. 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 Client in any manner without prior express written authorization from an officer of the Client.

9. RECORDS

The Client understands and agrees that FCMAT is a state agency and all FCMAT reports are public records and are published on the FCMAT website. Supporting documents and data in FCMAT's possession may also be public records and will be made available in accordance with the provisions of the California Public Records Act.

FCMAT has a records retention policy and practice, and every effort will be made to maintain records related to this Agreement in accordance with this policy.

10. CONTACT WITH PUPILS

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

11. 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 Client, automobile liability insurance in the amount required by California state law, and workers' compensation as required by California state law. Upon the request of the Client and receipt of the signed Agreement, FCMAT shall provide certificates of insurance indicating applicable insurance coverages.

12. HOLD HARMLESS

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

13. PUBLIC SAFETY CONSIDERATIONS

Whether due to public health considerations, extreme weather conditions, road closures, other travel restrictions or interruptions, shelter-at-home orders, LEA closures or other related considerations, at FCMAT's sole discretion, the Scope of Work, Project Costs, Responsibilities of the Client, and Project Schedule (Sections 2, 4, 5 and 6 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, or other means. References to fieldwork shall be interpreted appropriately given the circumstances.

B. Activities performed remotely that are normally performed in the field shall be billed hourly as if performed in the field (excluding out-of-pocket costs that can otherwise be avoided).

C. The Client may be relieved of its duty to provide conference and other work area facilities for the Team.

14. FORCE MAJEURE

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

15. EVALUATION

In the interest of continuous improvement, FCMAT will provide the Client with an evaluation survey at the conclusion of the services. FCMAT appreciates the Client's honest assessment of the Team's services and process. The Client shall return the evaluation survey within 10 business days of receipt.

16. CLIENT CONTACT PERSON

The Client's contact person designated below shall be the primary contact person for FCMAT to use in communicating with the Client on matters related to this Agreement. At any time when this Agreement or FCMAT's process requires that FCMAT send information, document request lists, draft report, final report or making other requests for the Client to act upon, this is the person whom FCMAT will contact. The Client may change the contact person upon written notice to FCMAT's job lead assigned to the study.

Name: Diane Lopez, District Business Services Director

Telephone: (707) 399-4417

Email: dlopez@solanocoe.net

17. SIGNATURES

Each individual executing this Agreement on behalf of a party hereto represents and warrants that he or she is duly authorized by all necessary and appropriate action to execute this Agreement on behalf of such party and does so with full legal authority.

For Client:

Lisette Estrella-Henderson Digitally signed by Lisette Estrella-Henderson
Date: 2024.01.08 15:26:14 -08'00'

Lisett Estrella-Henderson Date
County Superintendent of Schools, Solano COE

For FCMAT:

Michael H. Fine Digitally signed by Michael H. Fine
Date: 2024.02.04 14:33:25 -08'00'

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

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