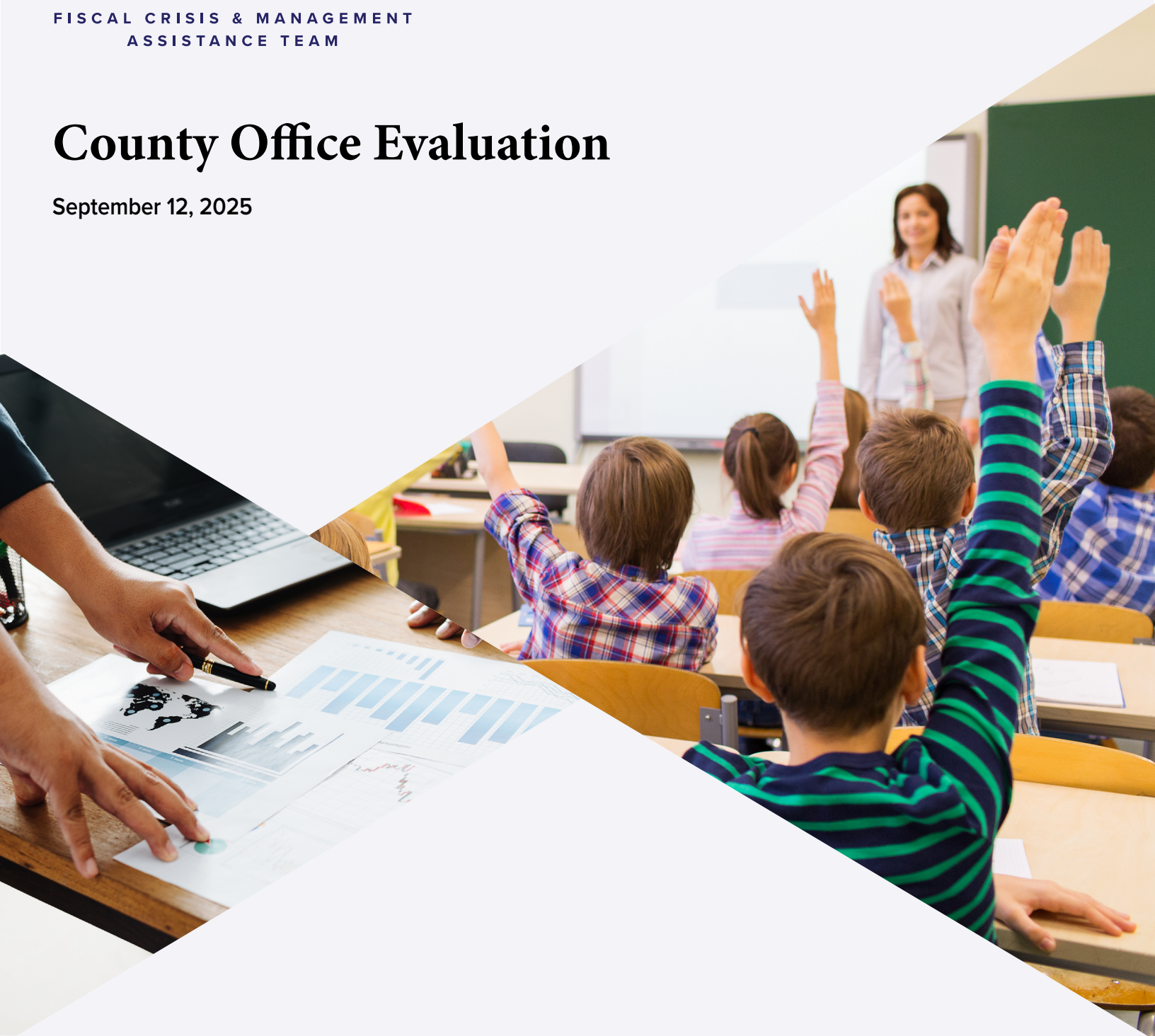


# FCMAT

FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM

## County Office Evaluation

September 12, 2025



## Solano County Office of Education

Michael H. Fine  
Chief Executive Officer

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# About FCMAT

## Purpose and Services

FCMAT was created in 1991 by the California Legislature to help California's TK-14 local educational agencies (LEAs) avoid fiscal insolvency. Today, FCMAT helps LEAs identify, prevent and resolve financial, management, program, data, and oversight challenges; provides professional learning; produces and provides software, checklists, manuals and other tools; and offers other related school business and data services.

FCMAT may be asked 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 FCMAT is asked for help with management assistance or a fiscal crisis, FCMAT management and staff work closely with the requesting LEA to meet their needs. Often this means conducting a formal study using a FCMAT study team that coordinates with the LEA for on-site fieldwork to evaluate specified operational areas and subsequently produces a written report with findings and recommendations for improvement.

For more immediate needs in a specific area, FCMAT offers short-term technical assistance from a FCMAT staff member with the required expertise.

To help meet the need for qualified chief business officials (CBOs) in LEAs, FCMAT offers four different CBO training and mentoring programs that consist of 11 or 12 diverse two-day training sessions over the course of a full year.

For agencies with professional learning needs, FCMAT offers workshops on specific topics. Popular topics include associated student body operations, use of FCMAT's Projection-Pro online financial forecasting software, use of FCMAT's Local Control Funding Formula (LCFF) Calculator, and data reporting for the California Longitudinal Pupil Achievement Data System (CALPADS). FCMAT staff and management also frequently make presentations at various professional conferences.

The California School Information Services (CSIS) service of FCMAT helps the California Department of Education (CDE) operate CALPADS; helps LEAs learn about CALPADS, resolve data issues and meet reporting requirements; provides LEAs with training and leadership in data management; developed and continues to host and improve the Standardized Account Code Structure (SACS) web-based financial reporting system for all California LEAs; and provides ed-data.org, which gives educators, policymakers, the Legislature, parents and the public quick access to timely and comprehensive data about K-12 education in California.

Since it was formed, FCMAT has provided LEAs with the types of help described above on more than 2,000 occasions.

FCMAT's administrative agent is the Kern County Superintendent of Schools. FCMAT is led by Michael H. Fine, Chief Executive Officer, and is funded by appropriations in the state budget and modest fees to requesting agencies.

Workshop schedules, manuals, presentation slide decks, Projection-Pro software, the LCFF Calculator, past reports, an online help desk, and many other resources are available for download or use at no charge on FCMAT's website.

## History

FCMAT was created by Assembly Bill (AB) 1200 in 1991. In 1997, AB 107 charged FCMAT with responsibility for CSIS and its statewide data management work, and AB 1115 in 1999 codified CSIS' mission.

AB 1200 created 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) gave FCMAT specific responsibilities for 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 include these 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 oversight responsibilities from the state to the local county office of education to be more consistent with the principles of local control, and giving FCMAT new responsibilities associated with the process.

# 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 City 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, and serious weaknesses in its fiscal practices and operations, including inadequate systems controls, lack of attention and response 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, and September 4, 2024, for the second and third evaluations respectively and on July 9, 2025, for the current and final 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 and final 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:

John F. Von Flue

Chief Analyst

Nicolas Schweizer

FCMAT Consultant

Leonel Martínez

FCMAT Technical Writer

Misty Key

FCMAT Consultant

Sheldon Smith, Ed.D.

FCMAT Consultant

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 schools' 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.

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 City 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(s) of Fieldwork:** July 9, 2025

# Summary

The Solano County Superintendent of Schools provides fiscal oversight to all the county's school districts pursuant to Assembly Bill 1200, which was signed into law in 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 in question were in compliance with its oversight responsibilities. The county superintendent's process for reviewing budget and interim reports continues to be thorough and complies with the Education Code and state standards and criteria for fiscal solvency.

The district has undergone many changes in the past year. The state loan was fully repaid in August 2024. A new district superintendent started July 1, 2024, and has made positive changes in cabinet leadership positions as well as progress with reducing expenditures, closing schools and implementing improved instructional programs and business processes that will be beneficial to the long-term academic achievements of students and fiscal stability of the district.

A review to determine the strength of the district's fiscal systems was completed in November 2023, and a follow up report "to assess the status of previous findings and determine whether any novel issues of substance emerge" was completed in January 2025. After the follow up fiscal systems review was concluded, the county superintendent issued a letter to the district regarding "Fiscal Systems Concerns and Recommendations" on January 22, 2025. This letter indicated the most critical solvency risk factors remain stable and yet "SCOE remains deeply concerned about several key financial issues ... that must be addressed and resolved with urgency."

The county superintendent issued a letter to various state agencies and legislative leaders on April 30, 2025, with a 60-day notification pursuant to Education Code Section 41320.1 (a)(3) that the district will have completed the necessary actions to exit receivership by June 30, 2025.

In response to the district's third consecutive qualified interim report FCMAT conducted a Fiscal Health Risk Analysis (FHRA), which was published May 13, 2025. The FHRA resulted in identifying the district as a high risk for fiscal insolvency.

The county superintendent issued its letter on June 18, 2025, in response to the 2024-25 end-of-year projections review. The county superintendent expressed concerns about reductions not materializing to the extent needed and that cash insolvency in 2026-27 is a potential should the deficit spending continue.

The Vallejo City Unified School District exited receivership on June 30, 2025, having satisfied the requirements of fully paying off its loan and undergoing a fiscal systems audit. As a result, effective July 1, 2025, the trustee is no longer under contract for the trustee services.

The district submitted a fiscal stabilization plan to the County Superintendent of Schools on July 21, 2025. In the submission, the district acknowledged that it could meet its financial obligations in the 2025-26 fiscal year but “will require immediate and significant structural changes” to further maintain its fiscal solvency. In a response letter dated July 28, 2025, the Solano County Superintendent of Schools (SCSOS) states that the plan “demonstrates a serious commitment to long-term financial sustainability.”

During the fieldwork interviews, the county superintendent and her team expressed concerns that the recent reductions may not be enough for the district to sustain fiscal solvency. The superintendent also indicated that she and the team had confidence in the new district leadership’s ability to lead the district to correct the deficit spending. The interviewees consistently expressed confidence in the district's ability to correct its course and alleviate the fiscal distress and indicated both the district and county office are committed to continue working together to that end.

The district exited receivership on June 30, 2025. As such, this is the final evaluation. Additionally, the current county superintendent of schools is retiring at the end of August 2025.

# Findings

This section focuses on FCMAT's review of the Solano County Superintendent of Schools' 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?**

As in past years, the Vallejo City Unified School District and the Solano County Office of Education have continued to use the FCMAT Comprehensive Review in lieu of the LRRP. The district and the county use a tracking spreadsheet entitled "Milestone Tracking" to monitor implementation of the comprehensive review recommendations, findings from their fiscal systems audit conducted in November 2023, and issues identified in other FCMAT reports.

Interviews and documentation found evidence of ongoing and consistent efforts by the county superintendent of schools to review and update progress made by the district. The Milestone Tracking spreadsheet, which was updated 27 times between the last review and June 2025, indicated that monitoring and documentation occurred at least twice monthly since the last review and became more frequent in the most recent months.

According to the Milestone Tracking spreadsheet, almost all standards have been met. Those remaining include one standard related to retiree health benefits, which the district cannot address without an agreement with its bargaining units, and several standards related to audit policies that are pending the establishment of an Audit Committee in 2025-26.

In July 2024, the district hired a new superintendent who subsequently made significant changes to the executive team with the hiring of a new chief business official, assistant superintendent of human resources, and a special education director. Fiscal year 2024-25 showed significant activity toward the district exiting receivership. In August the district fully paid off the state loan, and in January 2025 a follow up fiscal systems review was conducted. The review concluded that the district culture had improved since the initial review was conducted in November 2023, and that "the most important factor for solvency ha[d] not degraded." As a result, the county superintendent sent a letter in April 2025 to the state superintendent of public instruction and president of the State Board of Education recommending that the district be allowed to exit state receivership.

The county and district staff plan to continue to meet monthly to help the district maintain its progress. In addition, the district is facing significant, immediate fiscal issues, which county office staff are working with the district to address. However, the county superintendent is retiring at the end of August 2025, and combined with the new district leadership, significant effort will be needed to continue the supportive relationship between the district and the county office.

**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?**

The Solano County Superintendent of Schools performed the statutory functions related to a school district in fiscal distress including hosting regular meetings with the district, maintaining an appointed trustee, and continuing communications with the California Department of Education (CDE), the State Board of Education (SBE), the superintendent of public instruction (SPI), the Department of Finance (DoF), the state legislature, the state controller, and FCMAT.

The county office has a healthy and well-developed relationship with the school district. Interviewees indicated the county office has ready access to the appropriate district and county office staff. In the past year, the county superintendent team has met with the district team regularly to monitor the progress of implementing the recommendations from the comprehensive review and the findings of the fiscal systems audit. These meetings and improvement efforts were recorded and tracked on the Milestone Tracking spreadsheet the two entities share.

As significant progress was made since the initial fiscal systems review concluded in November 2023, the county superintendent requested to have a follow-up review to assess the district's progress and readiness as the end of receivership status neared. A follow-up fiscal systems audit report was completed in January 2025. The report indicated improvement in district culture and "the most important risk factors for solvency ha[d] not degraded" since the previous fiscal systems review. However, the county superintendent, in a letter to the district on January 22, 2025, pointed out several items of concern within the report, to be addressed with urgency. The following areas of concern were listed:

- Financial projections with deficit spending, use of one-time funds and cash flow.
- Declining enrollment and attendance including discrepancies in attendance reporting.
- Lacking position control reconciliation.
- Overreliance on external vendors.
- Vacancies in key positions.
- Facilities and site underutilization.

The county office also monitors the county-appointed trustee with frequent check-ins during the school year as well as performing the statutory yearly evaluation of the trustee.

Moreover, as reported in the previous annual review, 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. Finally, the county superintendent has funded consultants (MGT Impact Solutions and School Services of California) to study the district's processes and make recommendations to improve position control and identify efficiencies in special education.

Interviews indicated that the district and county office intend to continue the collaborative practice and hold regular check-in meetings even after the receivership status is resolved.

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

The 2025 fieldwork interviews echoed the findings from 2024, whereby the county superintendent appointed trustee is a well-respected, trusted, and a reputable individual who has been associated with the district's recovery for more than a decade. As a pre-AB1840 trustee, the trustee fills historical knowledge gaps for the current county office and district staff. The trustee brings a solid background in human resources, facilities, boardsmanship, and board-superintendent relations.

The trustee's efforts have included 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. Over the past two years, the trustee has focused on preparing the district for its exit from receivership. Most recently, the trustee has been advising the district on how to address its fiscal issues, such as eliminating vacant positions, reducing administrative staffing and accurately scoring and tracking proposed solutions.

The trustee continued to meet with district staff and county office of education staff in the past year. He has regularly attended board meetings and met with the new district superintendent prior to district board meetings. Staff indicated that he supports the district team in understanding why the county office of education requests or reviews various things. His explanations provide the district team with a level of understanding so they can move forward in implementing and fulfilling requested actions.

The trustee expressed confidence in the district's new administration team. He stated that they bring a new perspective, and their full engagement will help the district progress. However, without a trustee, the district and county office will need to establish greater roles of communication and interaction. This additional outreach and support will be essential to compensate for the trustee's departure and ensure fiscal controls continue to improve.

#### **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 showed deficit spending in the current and two subsequent years. The unrestricted general fund deficit was projected to be \$5.4 million in 2024-25, \$13.8 million in 2025-26, and \$8.2 million in 2026-27. This partly reflects the spending 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 has certified as qualified for three consecutive interim reports, indicating the district's deficit spending is unsustainable and has remained unaddressed. The county superintendent of schools supported the process for the district to exit receivership status effective June 30, 2025. However, in her letter dated June 18, 2025 referred to as the "2024-25 End of Year Projection Financial Review Letter," the superintendent of schools has also expressed serious concern about the district's fiscal solvency and its ability to keep positive cash balances while maintaining the required minimum reserves. The letter states that if the reductions fail to materialize, "the district will face negative fund balances, leading to fiscal insolvency, possibly as early as 2026."

In response to the district's qualified second interim 2024-25 report, the SCSOS required the district to submit a fiscal stabilization plan at the end of the 2024-25 fiscal year. The requirement was to provide a comprehensive strategic plan to stabilize the district's budget, address underlying

fiscal challenges, and restore long-term financial solvency. According to the district's submission dated July 21, 2025, the district's proposed actions "reflect a coordinated, data-driven approach that actively engages district leadership and external partners — including the Solano County Office of Education — to advance fiscal stability while safeguarding essential services for students."

Issues and challenges identified in the plan included declining enrollment, rising operational and benefit costs, deficit spending, and limited reserves. The plan acknowledged that the district could meet its financial obligations in the 2025-26 fiscal year but "will require immediate and significant structural changes" to further maintain its fiscal solvency. The district identified the following reductions as essential to remain solvent:

- \$15.5 million in ongoing reductions by 2026-27.
- \$16.5 million in additional reductions by 2027-28.
- \$5 million in further reductions by 2028-29.

In its response letter dated July 28, 2025, the county superintendent of schools acknowledged the district's "efforts in proactively addressing its fiscal challenges and right-sizing the District," and stated the plan "demonstrates a serious commitment to long-term financial sustainability." The letter identifies areas of concern to include significant staffing reductions and recommendations to develop staffing plan contingencies, develop a "concrete reduction plan for 2026-27," regularly monitor staffing, and review planned reductions of contracted services for 2027-28.

The letter also clarified that the district's revised multiyear projection included the following reductions:

- \$13.4 million in ongoing vacancy savings and \$2.68 million from nonsalary costs in 2025-26.
- \$9.6 million in ongoing reductions and \$5.89 million from nonsalary costs in 2026-27.
- No additional staffing reductions are currently planned for 2027-28.

In interviews, the county superintendent and her team as well as the district team expressed confidence in the district being able to accomplish the reductions and implement solutions in time to improve fiscal conditions and maintain fiscal solvency.

##### **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 of schools' team reviews the district's cash balances monthly and reviews its projected cash flows at each budget and interim reporting period. The team follows a process to review cash balances, projections and analyses of monthly transactions.

For fiscal year 2025-26, the county superintendent stated that additional monitoring is being conducted because the district is using interfund transfers from Fund 17 to support its general fund. She expressed concerns that spending down the Local Control Accountability Plan (LCAP) carryover might create cash issues later in the year, as well as in early fiscal year 2026-27 as the district ending fund balance decreases. Previous fieldwork interviews found that if the district experiences cash issues, the Solano County treasurer will advance the district's property tax apportionments prior to the usual April distribution.

**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 process to review budget and interim reports. The evidence demonstrates reviews of the Standardized Account Code Structure (SACS) Web financial reporting system reports as well as the state standards and criteria for fiscal solvency. The oversight review checklists include all the necessary aspects to validate a thorough review of the financial reports for compliance and fiscal solvency.

The county office complies with the State Standards and Criteria for Fiscal Solvency using oversight tools for fiscal review that are well documented. The county Business Services Department communicates and documents any technical corrections to the district’s budget, LCAP, or interim reports submissions.

In the past year, the county office has increased the amount of direction in its communication with the school district. The oversight letters to the district use strong, concise language regarding the actions the district must perform to remain fiscally solvent. The letters also identify the potential negative effects if the required actions are not completed. With the district remaining a fiscal insolvency concern, the county office should continue to be directive and use clear messaging and consistent documentation.

**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 the necessary analysis and detailed review of the district’s budget to verify if it is aligned with the financial recovery plan. The county superintendent has recently expressed, in detailed communications, her concern over the district’s fiscal status. The deficit spending has eroded fund balances to the extent that the county superintendent is apprehensive about the going concern of the district. The county office of education staff and the district staff have held ongoing discussions about the amount of expenditure reductions needed to avoid further financial distress.

Most recently, the SCSOS’s “2024-25 End of Year Projection Financial Review Letter” and “2025-26 VCUSD Fiscal Stabilization Plan Review Letter” provide evidence of their analysis and communication.

**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 of schools’ communications in response to budget and interim reporting have indicated concerns over the deficit spending in the letters to the district’s governing board. The most recent letters note that the district is deficit spending and relying on one-time funding sources to maintain fiscal solvency. The superintendent notes that issues documented in

letters are of great concern and stated immediate actions, considerations and “urgent next steps” to remedy the overspending.

Because the district certified qualified for three consecutive interim reports through second interim 2024-25 report, indicating its deficit spending is unsustainable and has remained unaddressed, the county superintendent of schools expressed serious concern on the fiscal solvency of the district and its ability to maintain its minimum required reserves. A June 18, 2025 document titled “2024-25 End of Year Projection Financial Review Letter” states that if the reductions fail to materialize, “the district will face negative fund balances, leading to fiscal insolvency, possibly as early as 2026.”

In response to the district’s qualified second interim 2024-25 report, the SCSOS required the district to submit a fiscal stabilization plan at the end of the 2024-25 fiscal year. According to the district’s submission dated July 21, 2025, the district acknowledged that it can meet its financial obligations in the 2025-26 fiscal year but “will require immediate and significant structural changes” to further maintain its fiscal solvency. The district identified the following reductions as essential to remain solvent:

- \$15.5 million in ongoing reductions by 2026-27.
- \$16.5 million in additional reductions by 2027-28.
- \$5 million in further reductions by 2028-29.

In its response letter dated July 28, 2025, the county superintendent of schools acknowledged the district’s “efforts in proactively addressing its fiscal challenges and right-sizing the District,” and stated the plan “demonstrates a serious commitment to long-term financial sustainability.” The letter further identifies areas of concern to include significant staffing reductions and recommendations to develop staffing plan contingencies, develop a “concrete reduction plan for 2026-27,” regularly monitor staffing, and review planned reductions of contracted services for the 2027-28 fiscal year.

The letter also clarified that the district’s revised multiyear projection included the following reductions:

- \$13.4 million in ongoing vacancy savings and \$2.68 million from nonsalary costs in 2025-26.
- \$9.6 million in ongoing reductions and \$5.89 million from nonsalary costs in 2026-27.
- No additional staffing reductions are currently planned for 2027-28.

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

The county office review of the “2024-2025 Local Control and Accountability Plan” letter dated September 12, 2024, indicated that the district’s budgeted expenditures are sufficient to implement its LCAP. The 2024-25 “Budget Financial and Technical Review Letter” also indicated that county staff confirmed the district met the fiscal components/criteria needed for the approval of the LCAP with no additional comments.

The county office works with the district’s LCAP/curriculum director to ensure that these funds

are principally directed to the actions and services that benefit the students who generated those dollars. In interviews, the county CBO indicated that the district's LCAP/curriculum director understands budgeting and the importance of using the LCAP funds, and that the district's comfort with LCAP budgeting and documentation improved over prior year.

Despite the improved district/county superintendent LCAP collaboration, the district still has an issue related to the LCAP as demonstrated by the \$14.5 million carryover designation in the district's first interim budget update disappearing at the district's second-interim budget update. Although county superintendent monitoring caught the omission, the omission itself indicates that LCAP budget monitoring continues to be inadequate, and actions and services provided to students who require those services are potentially insufficient.

**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?**

In past years, the county superintendent has called out the amount of carryover in its budget and LCAP approval letters. However, there is no mention of the carryover in the county office "2024-2025 Local Control and Accountability Plan" letter or the 2024-25 budget review letter.

Therefore, it is unclear where the district stands related to the prior-year LCAP carryover. The county superintendent indicated there was a \$14.5 million LCAP carryover in committed fund balance at first interim 2024-25, but the commitment disappeared in the district's second interim report, and there is no indication that the district accounted for it in its 2025-26 budget submission. The county office review of the district's 2025-26 budget and LCAP was not yet completed at the time of this review.

**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?**

The county superintendent performs the statutory reviews and verifies the accuracy of the district's public disclosures of collective bargaining agreements. In addition, comments are provided on the affordability of the proposals. Evidence was provided and interviews confirmed there is a thorough review and response to the district's public disclosures of collective bargaining agreements. The county superintendent's response letters to the district included concerns related to the deficit spending and aligning ongoing expenditures to ongoing revenues.

In 2023-24, the district bargained compensation charged to remaining COVID dollars. The county superintendent reviewed the tentative agreement in its May 2024 letter to the school district but with the following comments:

SCOE is deeply concerned regarding the affordability of these agreements and the amount needed to balance the budget. Should the governing board approve these agreements as presented, they must take action to address the long-term impact of the settlement in 2024-25 and beyond. Failure to implement budget solutions or enhance revenues in 2024-25 will move the District toward fiscal insolvency. Additionally, while the District is considering one-

time reserve, these fund[s] have been previously committed for pending litigation and LCFF Carryover, thus requiring governing board action to modify its use.

The county superintendent points out in its 2024-25 first interim letter that the settlement amount is not budgeted and questions whether the expense is coming from the fund balance or from already expended COVID dollars. As a result, the fiscal services director stated during the field-work interview that there is increased scrutiny and verification of the funding sources the school district cites in the public disclosure document.

**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. The budget and interim report review letters include reminders for the district to notify the county office before the district takes action on any proposed non-voter-approved debt.

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

The county deputy superintendent of business and the county superintendent evaluate the trustee yearly, with the latest evaluation signed on June 11, 2025. A copy of the evaluation was sent to the SPI on June 16, 2025.

The most recent evaluation indicated that the trustee was "excellent" in seven of the eight evaluation points and "good" on the remaining point, thus indicating the evaluators are pleased with his 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 the district's governing board meetings, closed sessions, special board meetings, and board budget study sessions.

The trustee has not used the stay or rescind authority. The trustee had an agreement to inform the county superintendent and the district prior to use of this authority and was prepared to take appropriate action if warranted.

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

The county superintendent issued a letter to the district regarding "Fiscal Systems Concerns and Recommendations" on January 22, 2025, indicating the most critical solvency risk factors remain stable and yet "SCOE remains deeply concerned about several key financial issues ... that must be addressed and resolved with urgency." The concerns include a structural deficit of \$36 million needing to be resolved or there may be inadequate cash in 2025-26.

The county superintendent issued a letter to various state agencies and legislative leaders on April 30, 2025, with a 60-day notification pursuant to Education Code Section 41320.1 (a)(3) that the district will have completed the necessary actions to exit receivership. The letter stated,

“VCUSD has demonstrated responsiveness, measurable progress, and overall readiness for sustained fiscal independence as evidenced by leadership stabilization, systems improvements, and comprehensive fiscal reforms.” The district exited receivership as of June 30, 2025.

The district certified as qualified in its second interim 2024-25 report marking three consecutive qualified interim reports and triggering a Fiscal Health Risk Analysis (FHRA) by FCMAT. On May 13, 2025, FCMAT published the FHRA, which identified areas of risk that resulted in the district being identified as at a high risk for fiscal insolvency.

Also, as a response to the district’s qualified second interim 2024-25 report, the SCSOS required the district to submit a fiscal stabilization plan at the end of the 2024-25 fiscal year. According to the district’s submission dated July 21, 2025, the district acknowledged that it could meet its financial obligations in the 2025-26 fiscal year but “will require immediate and significant structural changes” to further maintain its fiscal solvency. The district identified the following reductions as essential to remain solvent:

- \$15.5 million in ongoing reductions by 2026-27.
- \$16.5 million in additional reductions by 2027-28.
- \$5 million in further reductions by 2028-29.

In its response letter dated July 28, 2025, the county superintendent of schools acknowledged the district’s “efforts in proactively addressing its fiscal challenges and right-sizing the District,” and stated the plan “demonstrates a serious commitment to long-term financial sustainability.”

The letter also clarified that the district’s revised multiyear projection included the following reductions:

- \$13.4 million in ongoing vacancy savings and \$2.68 million from nonsalary costs in 2025-26.
- \$9.6 million in ongoing reductions and \$5.89 million from nonsalary costs in 2026-27.
- No additional staffing reductions are currently planned for 2027-28.

The county superintendent’s formal communications continue to express significant concerns about the fiscal solvency of the district. The interviews supported the same concerns but also expressed confidence in the abilities of the new district superintendent and new district cabinet members to lead the district in the right direction to reduce expenditures and increase student attendance. The commitment between the county office and district to continue to meet monthly will be critical for the county office to help the district address its fiscal issues.

**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 4, 2024, the district submitted its 2023-24 report on the district’s financial condition in accordance with Education Code 41321. The trustee reviewed and approved the report, and the county superintendent received the report on October 17, 2024. In addition, on October 21, 2024, the SPI was informed of this report and its presentation to the Vallejo City Unified School District board of education and to the trustee.

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

Interviews and documents provided in this evaluation indicate that county superintendent oversight lapses identified in the initial evaluation have either been resolved or continue to be addressed. Fiscal review checklists including the Milestone Tracking spreadsheet demonstrate evidence of the fiscal oversight work and progress.

# Conclusions and Recommendations

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 serves as the final evaluation as the district has exited receivership as of June 30, 2025.

The district's exit from receivership was prompted at the request and recommendation of the SCSOS after it was determined that the district satisfied the requirements of repaying the loan and undergoing a fiscal systems audit. In the request and recommendation letter sent to the state superintendent of public instruction and the president of the State Board of Education, the SCSOS cites the district's progress toward fiscal recovery and improvements in the areas of budget and LCAP alignment, internal controls and operational improvements, system security and workflow optimization, audit finding improvements and preventative monitoring, position control management, and addressing attendance and enrollment. The letter further states:

SCOE has maintained a positive and collaborative working relationship with VCUSD throughout this process and remains deeply committed to supporting VCUSD on an ongoing basis beyond the trustee's term. Beyond exiting state receivership status, the VCUSD Superintendent has agreed that our respective fiscal teams including the VCUSD Superintendent, the Assistant Superintendent, and other key team members will continue to meet monthly with the additional weekly tracking of key fiscal indicators.

On July 21, 2025, subsequent to its exit from receivership, the district submitted a fiscal stabilization plan to the county office. The plan contained proposed actions to continue supporting the fiscal stability of the district and identified the need to either implement significant expenditure reductions or generate new revenues of \$15.5 million by 2026-27, an additional \$16.5 million by 2027-28 and an additional \$5 million by 2028-29. The SCSOS responded to the plan on July 28, 2025, acknowledging the plan and the district's efforts, stating the plan "demonstrates a serious commitment to long-term financial sustainability." In the letter, the SCSOS points out areas of concern and recommendations and requests ongoing reporting and monitoring.

The letter also clarified that the district's revised multiyear projection included the following reductions:

- \$13.4 million in ongoing vacancy savings and \$2.68 million from nonsalary costs in 2025-26.
- \$9.6 million in ongoing reductions and \$5.89 million from nonsalary costs in 2026-27.
- No additional staffing reductions are currently planned for 2027-28.

The county superintendent's communications continue to express significant concerns with the district's fiscal solvency. In the evaluation interviews conducted by FCMAT both the district and county office staff shared the same concerns but also expressed confidence in the new district superintendent and new district cabinet members' abilities to lead the district toward ongoing opportunities for expenditure reductions and generating revenues through increasing student attendance.

The commitment between the county and district to continue to work together and meet regularly will be critical for the county to help the district address its fiscal issues. The county and district should continue

the use of the shared Milestone Tracking document and add new objectives and goals as necessary to continue accountability and support fiscal stabilization progress.

The county superintendent of schools is retiring at the end of August 2025. Her leadership and dedication to improving the conditions for learning of students in the Vallejo City Unified School District through the receivership process are commended.

# Appendices

**Appendix A - Annual Report on the Fiscal Condition of the School District**

**Appendix B - Fiscal Concerns and Recommendations**

**Appendix C - Recommendation and Request for VCUSD to Exit Receivership**

**Appendix D - VCUSD Fiscal Stabilization Plan**

**Appendix E - 2025-26 VCUSD Fiscal Stabilization Plan Review Letter**

**Appendix F - Study Agreement**

## Appendix A - Annual Report on the Fiscal Condition of the School District



**VALLEJO CITY**  
UNIFIED SCHOOL DISTRICT

### **BOARD OF EDUCATION**

**Rubén Aurelio**  
Superintendent

**Dr. Latyna Young**  
President

**John Fox**  
Vice President

**Glenn Amboy**  
Trustee

**Carlos Flores**  
Trustee

**Christy Gardner**  
Trustee

October 4, 2024

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, 2024, is presented to you herewith. It represents the district's financial plan for the school year 2023-24.

**Vallejo City Unified  
School District**

665 Walnut Avenue  
Vallejo, CA 94592

707-556-8921  
vcusd.org



**VALLEJO CITY**  
UNIFIED SCHOOL DISTRICT

### 2023-24 Adopted Budget

#### County Office Review of the 2023-24 Budget (Conditionally Approved)

Under Education Code (EC) section 42127, the Solano County Office of Education (SCOE) has reviewed Vallejo City Unified School District's (District) 2023-24 budget. The review ensures that the budget: (1) meets the Criteria and Standards set by the California State Board of Education (SBE), (2) allows the District to fulfill its financial obligations for the year, and (3) aligns with a financial plan to meet its long-term financial commitments.

The County Superintendent conditionally approved the 2023-24 budget submitted for review. The approval was conditional because there were concerns about how the budget was planned. The District's budget included \$22 million for the 2022-23 Local Control Funding Formula (LCFF) carryover, but based on the county's analysis, this money needed to be consistently included in the financial plan. This meant the budget didn't fully include \$60 million in services and actions from the District's Local Control Accountability Plan (LCAP).

The County Superintendent's letter stated that the LCFF carryover from the LCAP was calculated at 24.95 percent or \$25 million, resulting in an estimated \$3 million difference from the established commitment. When considering the \$25 million in one-time LCAP expenditures in the 2023-24 adopted budget, the county's calculations indicate that the District may be unable to meet its multiyear financial obligations without implementing ongoing budget solutions for fiscal years 2024-25 and 2025-26. Based on their calculations, 2024-25 and 2025-26 would project negative, unrestricted ending balances of approximately \$2.6 million and \$18.3 million, respectively, leaving the District fiscally insolvent. Additionally, when including the three percent reserve for economic uncertainties, the budget shortfall was estimated at \$8.5 million in 2024-25 and \$24.1 million in 2025-26.

Due to the mentioned concerns, the County superintendent requested the District to revise the 2023-24 approved budget and multiyear projections, including the Supplemental and Concentration grant funding, to demonstrate that the District meets its financial obligations by maintaining a 3.5% reserve. As a result, the District's 2023-24 adopted budget was revised to meet the county's requirements listed below by September 25, 2023.

**Provide our office with a District Board adopted revised 2023-24 budget and multiyear financial projection that shows the District will meet its multiyear financial obligations, including meeting the three percent reserve and account for the following:**

- a) Changes resulting from the district's 2022-23 Unaudited Actuals.
- b) Budget revisions to include 10% of the LCFF carryover and allocating the remainder of the LCFF carryover as a commitment of the fund balance to be used as intended in the LCAP. The 2023-24 budget report/budget revisions should reconcile with the financial system, ESCAPE.



**VALLEJO CITY**  
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- c) Current LCFF calculator to account for changes resulting from the enacted 2023-24 Budget Act, and current Average Daily Attendance (ADA) and enrollment and ADA estimates.
- d) All budget balancing solutions should be considered, including utilizing other available funding sources such as the Special Reserve Fund for Other Than Capital Outlay Projects (Fund 17) and other commitments.
- e) If applicable, please provide a copy of any adopted resolutions.
- f. The revised budget and multiyear financial projection must follow the Standardized Account Code Structure (SACS) General Fund Form 01 and multiyear financial projection format and be separated as unrestricted/Unrestricted/Combined reports.

2023-24 Adopted Budget Narrative

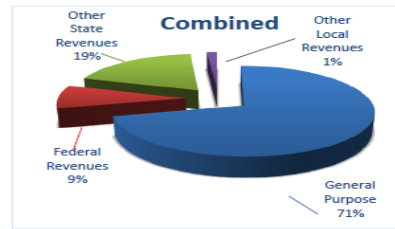
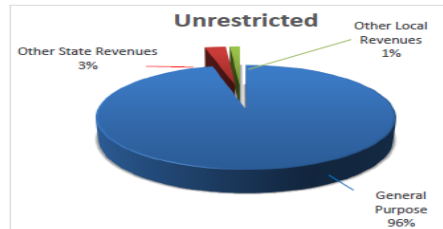
During budget adoption, the District estimated an Average Daily Attendance (ADA) of 7,953.12, not including COE ADA of 1.56. Due to declining enrollment, the funded ADA was based on the 3-year ADA average, averaging 9,282.93 funded ADA—the District's estimated unduplicated pupil percentage for supplemental and concentration funding of 81.91%. Also, 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 \$3,044 per transitional kindergarten ADA. The Mandated Cost Block Grant is \$37.81 for K-8 ADA and \$72.84 for 9-12 ADA.

Revenue Assumptions

Based on the decrease in enrollment, the District used the Department of Finance's estimates to calculate the Local Control Funding Formula. This included the projected 3.94% cost-of-living adjustment (COLA) for 2024-25 and 3.29% for 2025-26. In addition, Federal revenue was expected to decrease in 2023-24 due to the removal of one-time funds, and State revenue was also projected to decrease for the same reason. Local revenues, however, were expected to remain constant.

General Fund Revenue Components

| Description                    | Unrestricted         | Combined             |
|--------------------------------|----------------------|----------------------|
| General Purpose Revenue (LCFF) | \$140,092,308        | \$140,092,308        |
| Federal Revenues               | \$0                  | \$16,821,698         |
| Other State Revenues           | \$4,003,088          | \$36,820,607         |
| Other Local Revenues           | \$1,959,616          | \$2,726,267          |
| <b>TOTAL</b>                   | <b>\$146,055,012</b> | <b>\$196,460,880</b> |





**VALLEJO CITY**  
UNIFIED SCHOOL DISTRICT

#### Expenditure Assumptions

The changes in salary costs are due to certificated step & column increases of approximately 1.75% and classified step increases of roughly 1.10%. The unrestricted portion of the general fund is projected to absorb the Director of Categorical Grants salary & benefits (0.5 FTEs) since the COVID funds are expected to be exhausted in 2024-25. Restricted salaries are projected to decrease due to removing activity relating to one-time COVID assistance funds, and year-to-year positions funded out of COVID funds will be terminated. Benefits are adjusted based on the salary changes noted above to account for expected pension rate changes. STRS is estimated to remain constant at 19.10% for 2024-25 and 2025-26, and PERS is estimated to increase by 1.02% in 2024-25 and an additional 0.60% in 2024-25—a 1.62% increase in the two years.

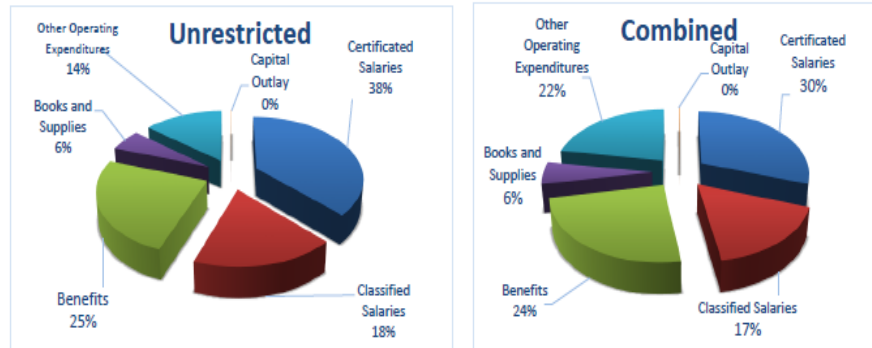
Unrestricted supplies will decrease in 2024-25 and 2025-26 due to applying the CPI to all services and adjusting supplemental and concentration activity. The net increase in restricted supplies in 2024-25 is due to the one-time funds primarily related to State Lottery funds and applying the CPI to the supply budgets receiving unrestricted general fund contributions. Unrestricted other services and operating expenditures are projected to have a net decrease in 2024-25 and 2025-26 due to applying the CPI to all services, adjusting for supplemental & concentration activity, one-time expenditures on facility projects, and adjusting for election costs every other year. Restricted services are projected to have a net decrease in 2024-25 and 2025-26 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. Capital outlay and Transfers Out are estimated to remain constant. Transfers of indirect costs are projected to remain constant after removing one-time expenses. Contributions to restricted programs are expected to increase due to step & column and additional pension costs for restricted programs that receive support from the unrestricted general fund.

#### Operating Expenditures Components

| Description   | Unrestricted         | Combined             |
|---|----------------------|----------------------|
| Certificated Salaries                                       | \$46,143,158         | \$60,569,195         |
| Classified Salaries   | \$22,204,895         | \$34,075,055         |
| Benefits (Payroll Taxes and Health & Welfare Contributions) | \$30,367,016         | \$48,818,713         |
| Books and Supplies  | \$6,961,302          | \$11,400,730         |
| Other Operating Expenditures                                | \$17,152,264         | \$44,192,239         |
| Capital Outlay  | \$87,618             | \$287,618            |
| Other Outgo   | \$0                  | \$0                  |
| <b>TOTAL</b>  | <b>\$122,916,253</b> | <b>\$199,343,550</b> |



**VALLEJO CITY**  
UNIFIED SCHOOL DISTRICT



Estimated Ending Fund Balances

During 2024-25, the District estimates that the General Fund is projected to have a deficit spending of \$11.1 million, resulting in an ending General Fund balance of approximately \$55.1 million. During 2025-26, the District estimates that the General Fund is projected to have a deficit spending of \$15.6 million, resulting in an ending General Fund balance of \$39.5 million.

| Description  | 2023-24             | 2024-25             | 2025-26             |
|--|---------------------|---------------------|---------------------|
| Subsequent Years Deficit Reserve                       | \$4,246,337         |                     |                     |
| LCAP Supplemental & Concentration Carryover from 22-23 | \$15,799,350        | \$15,577,479        |                     |
| P&L Insurance Deductible Increase                      | \$2,000,000         |                     |                     |
| Projected Uncovered Claims (AB218)                     | \$2,000,000         |                     |                     |
| Facilities Projects (uncovered open claims)            | \$2,500,000         |                     |                     |
| Restricted Programs                                    | \$32,494,256        | \$32,494,256        | \$32,494,256        |
| <b>Amount Disclosed per SB 858 Requirements</b>        | <b>\$59,039,943</b> | <b>\$48,071,735</b> | <b>\$32,494,256</b> |
| Nonspendable Reserves                                  | \$255,303           | \$255,303           | \$255,303           |
| State Reserve for Economic Uncertainty (REU)           | \$7,040,400         | \$6,826,400         | \$6,772,400         |
| Unallocated  | \$0                 | \$0                 | \$14,494            |
| <b>Estimated Ending Fund Balance</b>                   | <b>\$66,335,646</b> | <b>\$55,153,438</b> | <b>\$39,536,453</b> |



**VALLEJO CITY**  
UNIFIED SCHOOL DISTRICT

2023-24 Adopted Budget

| <b>Combined General Fund MYP</b>               |                        | 2023-24                     | 2024-25                      | 2025-26                       |
|--|------------------------|-----------------------------|------------------------------|-------------------------------|
| <b>Object Code</b>                             |                        | <b>Total Revised Budget</b> | <b>First Subsequent Year</b> | <b>Second Subsequent Year</b> |
| <b>REVENUES</b>                                |                        |                             |                              |                               |
| LCFF Revenue                                   | 8010-8099              | \$ 140,092,308              | \$ 134,297,069               | \$ 129,555,274                |
| Federal Revenue                                | 8100-8299              | \$ 16,821,698               | \$ 9,339,165                 | \$ 9,339,165                  |
| Other State Revenue                            | 8300-8599              | \$ 36,820,607               | \$ 36,717,882                | \$ 35,481,759                 |
| Other Local Revenue                            | 8600-8799              | \$ 2,726,267                | \$ 2,726,267                 | \$ 2,726,267                  |
| <b>TOTAL REVENUES</b>                          |                        | <b>\$ 196,460,880</b>       | <b>\$ 183,080,383</b>        | <b>\$ 177,102,465</b>         |
| <b>EXPENDITURES</b>                            |                        |                             |                              |                               |
| Certificated Salaries                          | 1000-1999              | \$ 60,569,195               | \$ 60,563,997                | \$ 61,623,867                 |
| Classified Salaries                            | 2000-2999              | \$ 34,075,055               | \$ 32,528,661                | \$ 32,886,477                 |
| Employee Benefits                              | 3000-3999              | \$ 48,818,713               | \$ 48,107,238                | \$ 48,747,823                 |
| Books and Supplies                             | 4000-4999              | \$ 11,400,730               | \$ 11,730,572                | \$ 11,001,754                 |
| Services and Other Operating Expenditures      | 5000-5999              | \$ 44,192,239               | \$ 39,893,610                | \$ 39,262,514                 |
| Capital Outlay                                 | 6000-6999              | \$ 287,618                  | \$ 287,618                   | \$ 287,618                    |
| Other Outgo (excluding Indirect Costs)         | 7100-7299<br>7400-7499 | \$ -                        | \$ -                         | \$ -                          |
| Transfers of Indirect Costs                    | 7300-7399              | \$ (867,115)                | \$ (750,245)                 | \$ (750,245)                  |
| Other Adjustments                              |                        | \$ -                        | \$ -                         | \$ -                          |
| Other Adjustments                              |                        | \$ -                        | \$ -                         | \$ -                          |
| Unidentified Budget Enhancements               |                        | \$ -                        | \$ -                         | \$ -                          |
| <b>TOTAL EXPENDITURES</b>                      |                        | <b>\$ 198,476,435</b>       | <b>\$ 192,361,451</b>        | <b>\$ 193,059,807</b>         |
| <b>OTHER FINANCING SOURCES/USES</b>            |                        |                             |                              |                               |
| Transfers In and Other Sources                 | 8900-8979              | \$ 775,000                  | \$ 775,000                   | \$ 775,000                    |
| Transfers Out and Other Uses                   | 7600-7699              | \$ (2,676,140)              | \$ (2,676,140)               | \$ (434,643)                  |
| Net Other Sources (Uses)                       | 8980-8999              | \$ -                        | \$ -                         | \$ -                          |
| Contributions                                  | 8980-8999              | \$ -                        | \$ -                         | \$ -                          |
| <b>Net Increase (Decrease) in Fund Balance</b> |                        | <b>\$ (3,916,695)</b>       | <b>\$ (11,182,208)</b>       | <b>\$ (15,616,985)</b>        |
| <b>BEGINNING FUND BALANCE</b>                  |                        |                             |                              |                               |
|  | 9791                   | \$ 70,252,341               | \$ 66,335,646                | \$ 55,153,438                 |
| Audit Adjustments/Other Restatements           | 9793/9795              | \$ -                        |                              |                               |
| <b>ENDING FUND BALANCE</b>                     |                        | <b>\$ 66,335,646</b>        | <b>\$ 55,153,438</b>         | <b>\$ 39,536,453</b>          |
| <b>COMPONENTS OF ENDING FUND BALANCE:</b>      |                        |                             |                              |                               |
| Nonspendable                                   | 9711-9719              | \$ 255,303                  | \$ 255,303                   | \$ 255,303                    |
| Restricted                                     | 9740                   | \$ 32,494,256               | \$ 32,494,256                | \$ 32,494,256                 |
| Committed                                      | 9750-9760              | \$ 26,545,687               | \$ 15,577,479                | \$ -                          |
| Assigned                                       | 9780                   | \$ -                        | \$ -                         | \$ -                          |
| Reserve for Economic Uncertainties             | 9789                   | \$ 7,040,400                | \$ 6,826,400                 | \$ 6,772,400                  |
| Unassigned/Unappropriated Amount               | 9790                   | \$ -                        | \$ -                         | \$ 14,494                     |
| <b>Total Estimated Fund Balance</b>            |                        | <b>\$ 66,335,646</b>        | <b>\$ 55,153,438</b>         | <b>\$ 39,536,453</b>          |
| <b>Reserve PCT (Unrestricted)</b>              |                        | <b>3.50%</b>                | <b>3.50%</b>                 | <b>3.51%</b>                  |



**VALLEJO CITY**  
UNIFIED SCHOOL DISTRICT

2023-24 Revised Budget

9/15/2023

| VALLEJO CITY UNIFIED SCHOOL DISTRICT       | State Budget Act       |                             |                        |  |
|--|------------------------|-----------------------------|------------------------|--|
| Combined - Fund 01 Budget                  | Adopted Budget 2023-24 | Increase (Decrease) 2023-24 | Revised Budget 2023-24 | Variance Explanations  |
| <b>Revenues</b>                            |                        |                             |                        |  |
| 8010-8099 LCFF Revenue                     | 140,092,308.00         | 1,409,012.00                | 141,495,320.00         | Enrollment-IG-ADH Rate changed from 84% to 86.42% due to revised P-2   |
| 8100-8299 Federal                          | 16,821,698.00          | -                           | 16,821,698.00          |  |
| 8300-8599 Other State                      | 36,820,607.00          | -                           | 36,820,607.00          |  |
| 8600-8799 Other Local                      | 2,726,267.00           | -                           | 2,726,267.00           |  |
| <b>Total Revenues</b>                      | <b>196,460,880.00</b>  | <b>1,409,012.00</b>         | <b>197,869,892.00</b>  |  |
| <b>Expenditures</b>                        |                        |                             |                        |  |
| 1000-1999 Certificated Salaries            | 60,569,195.00          | -                           | 60,569,195.00          |  |
| 2000-2999 Classified Salaries              | 34,075,055.00          | -                           | 34,075,055.00          |  |
| 3000-3999 Employee Benefits                | 48,818,713.00          | -                           | 48,818,713.00          |  |
| 4000-4999 Books and Supplies               | 11,400,730.00          | -                           | 11,400,730.00          |  |
| 5000-5999 Services and Other Operating Exp | 44,192,239.00          | -                           | 44,192,239.00          |  |
| 5000-5999 10% of the LCFF carryover        | -                      | 2,533,869.00                | 2,533,869.00           | 2023-24 Conditionally approved budget required to budget 10% of the LCFF carryover to spend down SBC Goal 1716 Actions 3.6d  |
| 6000-6999 Capital Outlay                   | 287,618.00             | -                           | 287,618.00             |  |
| 71-7200, 74-7499 Other Outgo               | -                      | -                           | -                      |  |
| 7300-7399 Indirect/Direct Support Costs    | (867,115.00)           | -                           | (867,115.00)           |  |
| <b>Total Expenditures</b>                  | <b>198,476,435.00</b>  | <b>2,533,869.00</b>         | <b>201,010,304.00</b>  |  |
| <b>Excess (Deficiency)</b>                 | <b>(2,015,555.00)</b>  | <b>(1,130,857.00)</b>       | <b>(3,146,412.00)</b>  |  |
| <b>Other Financing Sources/Uses</b>        |                        |                             |                        |  |
| 8900-8929 Transfers In                     | 775,000.00             | -                           | 775,000.00             |  |
| 7600-7629 Transfers Out                    | 2,676,140.00           | -                           | 2,676,140.00           |  |
| 8930-8979 Sources                          | -                      | -                           | -                      |  |
| 7630-7699 Uses                             | -                      | -                           | -                      |  |
| 8980-8999 Contributions                    | -                      | -                           | -                      |  |
| <b>Total Other Financing Sources</b>       | <b>(1,901,140.00)</b>  | <b>-</b>                    | <b>(1,901,140.00)</b>  |  |
| <b>Net Increase (Decrease)</b>             | <b>(3,916,695.00)</b>  | <b>(1,130,857.00)</b>       | <b>(5,047,552.00)</b>  |  |
| <b>Fund Balance</b>                        |                        |                             |                        |  |
| Beginning Balance                          | 70,252,341.00          | 8,378,565.00                | 78,630,906.00          | Beginning Balance from 2022-23 Audited Actuals   |
| Audit Adjustments                          | -                      | -                           | -                      |  |
| <b>Ending Fund Balance</b>                 | <b>66,335,646.00</b>   | <b>7,247,708.00</b>         | <b>73,583,354.00</b>   |  |
| <b>Components of Ending Fund Balance</b>   |                        |                             |                        |  |
| <b>Nonspendable</b>                        |                        |                             |                        |  |
| 9711 Revolving Cash                        | 49,393.00              | -                           | 49,393.00              |  |
| 9712 Stores                                | 205,910.00             | -                           | 205,910.00             |  |
| 9713 Prepaids                              | -                      | -                           | -                      |  |
| 9719 All Others                            | -                      | -                           | -                      |  |
| 9740 Restricted                            | 32,494,256.00          | -                           | 32,494,256.00          |  |
| <b>Committed</b>                           |                        |                             |                        |  |
| 9750 Stabilization Arrangements            | 2,369,101.00           | 1,810,348.00                | 4,179,449.00           | Components of the Ending Fund Balance changed due to revising the stabilization arrangements and other assignments. The revising of commitments that include the 22-23 LCFF carryover of 59.3M and the 21-22 LCFF carryover of 210.5M less 10% (2.5 M) budgeted as expenditures from the 21-22 LCFF carryover as required by the CDE |
| 9760 Other Commitments                     | 22,299,350.00          | 7,077,036.00                | 29,376,386.00          |  |
| <b>Assigned</b>                            |                        |                             |                        |  |
| 9780 Other Assignments                     | 1,877,236.00           | (1,728,376.00)              | 148,860.00             |  |
| <b>Unassigned</b>                          |                        |                             |                        |  |
| 9789 Reserve for Economic Uncertainties    | 7,040,400.00           | 88,700.00                   | 7,129,100.00           |  |
| 9790 Unassigned/Unappropriated             | -                      | -                           | -                      |  |
| (Proof FBD)                                | -                      | -                           | -                      |  |



**VALLEJO CITY**  
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### 2023-24 First Interim

#### County Office Review of the 2023-24 First Interim

In accordance with Education Code (EC) Section 42130 et seq., the Solano County Office of Education (SCOE) staff reviewed the Vallejo City Unified School District's (District) first interim report. The county office staff analyzed the report considering current law and any proposed budgetary changes. The county's review resulted in concerns about the District's financial health. As a result, they agree with the District's certification of "Qualified," indicating that the District may not be able to meet its financial obligations for the current fiscal year and two subsequent fiscal years.

Below are concerns about the current and future fiscal health of the District after we reviewed the first interim report:

1. **Declining Forecast in the General Fund Ending Balance:** The District's first interim multiyear projection (MYP) shows an estimated total deficit of \$23M for the current and two future years. The deficit spending appears to exacerbate in 2024-25 and 2025-26. The projected deficit spending is as follows:  
2023-24: (\$4M)  
2024-25: (\$7.3M)  
2025-26: (\$12M)

The projected deficit amounts do not include the District's \$19M of Local Control Accountability Plan (LCAP) carryover that is listed as a commitment to the fund balance. SCOE and the District have been meeting monthly to monitor the District's progress implementing the LCAP. Our analysis below includes this amount to see the District's total known obligations within the next three fiscal years.

The District used the most current information for its Local Control Funding Formula (LCFF) revenues for the first interim preparation. However, estimates now show that the 2024-25 cost-of-living-adjustment (COLA) could be 0.76 percent and 2.73 percent for 2025-26. Our office prepared an alternative scenario using these new factors. Should these COLA factors materialize, it would yield a potential loss of \$8.9M in LCFF revenues from 2024-25 through 2025-26. We understand that assumptions will change; therefore, we recommend the District continue to update and monitor its budget using the latest information available, and provide our office with an updated budget for the 2023-24 second interim report.

The table below shows the projected fund balance once the above assumptions have been considered. It indicates that the District might not meet its financial obligations in 2025-26 and an ongoing decline in fund balance, harming its ability to stay flexible to unforeseen financial circumstances. While we are concerned about this, the District has submitted to our office Board Resolution No. 4043, noting its fiduciary duty to maintain the District's fiscal stability. With the 2023-24 second interim report, we ask the District to submit a detailed plan of budget solutions for 2024-25 and a timeline for implementation. We look forward to the information that will be shared with us, which will provide the framework to stabilize the District's fiscal condition.



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General Fund - Unrestricted  
Changes in Fund Balance

|  | <b>2023-24</b> | <b>2024-25</b>  | <b>2025-26</b>  |
|--|----------------|-----------------|-----------------|
| Beginning Fund Balance                             | 46,577,106.00  | 42,494,815.00   | 11,089,364.00   |
| 1st Interim Net Increase (Decrease)                | (4,082,291.00) | (7,388,666.00)  | (12,041,922.00) |
| LCFF Revenue - COLA Impact                         | -              | (4,140,399.00)  | (4,712,969.00)  |
| Full Implementation of LCAP<br>Committed Carryover | -              | (19,876,386.00) | -               |
| Projected Ending Fund Balance                      | 42,494,815.00  | 11,089,364.00   | (5,665,527.00)  |

- Financial Impact of 2023-24 Certificated and Classified Labor Agreements:** As of the date of this letter, the District has yet to settle with its employee bargaining units for 2023-24. Any monetary cost settlement would have a further financial impact on the District, in addition to the factors noted above. Should the collective bargaining agreements result in additional ongoing costs, we advise that such increased costs are supported by additional ongoing revenues or ongoing reduction of expenditures.

As a reminder, with a Qualified certification, Government Code Section 3540.2 requires the District to notify SCOE at least ten working days to review and comment on any proposed salary contract agreement between the District and the employee bargaining units. SCOE shall be provided with information relevant to the understanding of the financial impact of the agreement. The public disclosure documents prepared in compliance with Government Code Section 3547.5 can be used to satisfy this requirement. The District will also need to include in the public disclosure document the cost of any employee groups, represented or not, that will be included in a settlement via a “Me Too” clause or practice.

- Declining Enrollment and Average Daily Attendance (ADA):** The District has been experiencing declining enrollment and forecasts that enrollment will continue to decline in 2023-24 and the two subsequent years. Projected enrollment loss for the current year and two future years is about 1,100 students. These declining projections for enrollment and ADA will negatively impact District revenues.

From 2013-14 through 2019-20, the ADA-to-enrollment ratio averaged 92 percent. The District anticipates the ADA-to-enrollment ratio to be at 90 percent for the current and two future years.

Using preliminary 2023-24 P-1 attendance reports, our office calculated an ADA-to-enrollment ratio of 87 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 reviews its ADA assumptions to prevent overestimating LCFF revenues.

- Funded ADA:** To mitigate the negative impacts of COVID-19 on funded ADA, we remind districts that there are protections in place to financially safeguard districts that are experiencing declining. The 2021-22 ADA protection will expire in 2024-25. We recommend that the District continue to take the necessary steps to align staffing and expenditures to the number of students served.
- Contingent Liabilities:** The District’s first interim Criteria and Standards report explains that the District has various cases under Assembly Bill 218, and the District’s insurance



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covers one case; however, the other claims coverage is in question. While the District has \$3.5M as a commitment of fund balance, the settlement amount for the uncovered claim is unknown and a possible financial risk to the District.

2023-24 First Interim Narrative

General Fund Components

For the 2023-24 First Interim, the District's primary budget was composed of an estimated Average Daily Attendance (ADA) of 8,491.50 (excludes COE ADA of 1.57). Due to declining enrollment, the funded ADA was based on the prior year's funded ADA of 9,269.14, utilizing the 3-year averaging method—also, the District's estimated unduplicated pupil percentage for supplemental and concentration funding of 81.87%. The lottery revenue was estimated to be \$177 per ADA for unrestricted purposes and \$72 per ADA for restricted purposes. The transitional Kindergarten ratio "add-on" was \$3,044.23 per transitional kindergarten ADA, and the mandated Cost Block Grant was \$37.63 for K-8 ADA and \$72.49 for 9-12 ADA.

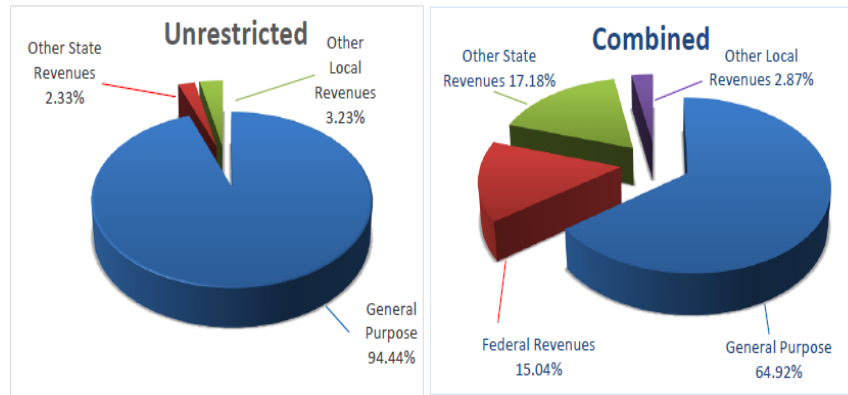
Per enrollment trends, the District continues to anticipate declining enrollment. The Local Control Funding Formula uses the Department of Finance's estimates of COLA and funding percentages toward the District's LCFF Target, as noted above. The Federal revenue is expected to decrease for 2023-24 due to the removal of one-time funds and remain constant thereafter. The State revenue is projected to decrease due to the removal of one-time funds and the incorporation of net changes in state special education (AB602) revenue based on projected COLAs and funded ADA. Local revenue includes prior year revenues, projected to remain constant for the subsequent years after removing one-time funds.

General Fund Revenue Components

| Description                    | Unrestricted         | Combined             |
|--------------------------------|----------------------|----------------------|
| General Purpose Revenue (LCFF) | \$140,016,319        | \$140,016,319        |
| Federal Revenues               | \$0                  | \$32,430,262         |
| Other State Revenues           | \$3,448,256          | \$37,050,619         |
| Other Local Revenues           | \$4,793,269          | \$6,194,456          |
| <b>TOTAL</b>                   | <b>\$148,257,844</b> | <b>\$215,691,656</b> |



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**Expenditure Assumptions**

Certificated step and column costs are projected to increase by 1.75% each year. Classified step costs are projected to increase by 1.1% each year. The unrestricted portion of the general fund is projected to absorb the Director of Categorical Grants salary & benefits (0.5 FTEs) since the COVID funds are expected to be exhausted in 2024-25. Restricted salaries are projected to decrease due to the removal of activity relating to one-time COVID assistance funds, and year-to-year positions funded out of COVID funds will be terminated. Adjustments to benefits reflect the effects of salary changes noted above, program adjustments, and adjustments to employer pension costs. STRS is estimated to remain constant at 19.10% for 2024-25 and 2025-26. PERS is estimated to increase by 1.02% in 2024-25 and an additional 0.60% in 2024-25, a 1.62% increase in the two years.

Unrestricted other services and operating expenditures are projected to have a net decrease in 2024-25 and 2025-26 due to applying the CPI to all services, adjusting for supplemental & concentration activity, one-time expenditures on facility projects, and adjusting for election costs every other year. Restricted services are projected to have a net decrease in 2024-25 and 2025-26 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.

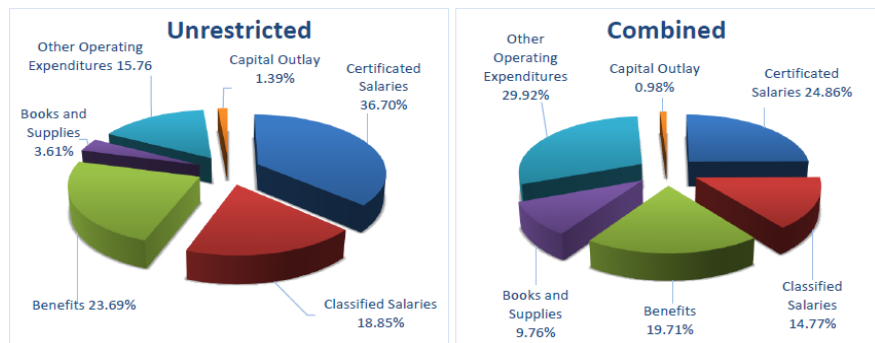
The capital outlay budget is projected to remain constant after removing one-time expenditures. Transfers of indirect costs are projected to remain constant after removing one-time expenses. Transfers In are projected to remain constant. Transfers Out are projected to remain flat until 24-25 when the last state loan payment is made. The increase in contributions to restricted programs for subsequent years is primarily due to budgeting for restricted step & column increases, the pension rate changes, and changes in special education funding.

**Operating Expenditures Components**



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| Description   | Unrestricted         | Combined             |
|---|----------------------|----------------------|
| Certificated Salaries                                       | \$46,906,738         | \$61,118,523         |
| Classified Salaries   | \$24,088,451         | \$36,305,071         |
| Benefits (Payroll Taxes and Health & Welfare Contributions) | \$30,271,393         | \$48,461,101         |
| Books and Supplies  | \$4,610,626          | \$23,985,434         |
| Other Operating Expenditures                                | \$20,147,878         | \$73,539,007         |
| Capital Outlay  | \$1,776,671          | \$2,415,060          |
| Other Outgo   | \$0                  | \$0                  |
| <b>TOTAL</b>  | <b>\$127,801,757</b> | <b>\$245,824,196</b> |



Estimated Fund Balance

During 2024-25, the District estimates that the General Fund projects a deficit spending of \$7.4 million, resulting in a combined ending General Fund balance of approximately \$47.1 million. Similarly, for 2025-26, the District estimates that the General Fund will have deficit spending of \$12 million, resulting in a combined ending General Fund balance of \$35 million. Illustrated below are the components of fund balance for the current and two subsequent years by Senate Bill 858 disclosure requirements that show the amounts over the State mandated reserve of 3.0% of total General Fund outgo:

| Description  | 2023-24              | 2024-25              | 2025-26              |
|--|----------------------|----------------------|----------------------|
| Subsequent Years Deficit Reserve                               | \$ 3,723,345         | \$ 1,507,901         | \$ 1,607,105         |
| <b>LCAP Supplemental &amp; Concentration 2021-22 Carryover</b> | <b>\$ 10,572,944</b> | <b>\$ 10,572,944</b> | <b>\$ 7,690,060</b>  |
| <b>LCAP Supplemental &amp; Concentration 2022-23 Carryover</b> | <b>\$ 9,303,442</b>  | <b>\$ 9,303,442</b>  | <b>\$ -</b>          |
| P&L Insurance Deductible Increase                              | \$ 3,000,000         | \$ -                 | \$ -                 |
| Uncovered Claims (AB218)                                       | \$ 3,500,000         | \$ 3,500,000         | \$ 3,500,000         |
| Facilities Projects (uncovered open claims)                    | \$ 3,000,000         | \$ 3,000,000         | \$ 3,000,000         |
| <b>Amount Disclosed per SB 858 Requirements</b>                | <b>\$ 33,099,731</b> | <b>\$ 27,884,287</b> | <b>\$ 15,797,165</b> |
| Nonspendable Reserves  | \$ 255,303           | \$ 255,303           | \$ 255,303           |
| Restricted Reserves  | \$ 11,986,259        | \$ 11,986,259        | \$ 11,986,259        |
| State Reserve for Economic Uncertainty (REU)                   | \$ 8,800,800         | \$ 6,817,700         | \$ 6,862,900         |
| Unallocated  | \$ 338,981           | \$ 148,860           | \$ 148,860           |
| <b>Estimated Ending Fund Balance (rounding)</b>                | <b>\$ 54,481,074</b> | <b>\$ 47,092,409</b> | <b>\$ 35,050,487</b> |



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2023-24 First Interim

| Combined General Fund MYP                      |                        |                        |                       |                        |
|--|------------------------|------------------------|-----------------------|------------------------|
|  |                        | 2023-24                | 2024-25               | 2025-26                |
| Object Code                                    |                        | Total Revised Budget   | First Subsequent Year | Second Subsequent Year |
| <b>REVENUES</b>                                |                        |                        |                       |                        |
| LCFF Revenue                                   | 8010-8099              | \$ 140,016,319         | \$ 136,641,309        | \$ 132,895,625         |
| Federal Revenue                                | 8100-8299              | \$ 32,430,262          | \$ 9,117,632          | \$ 9,117,632           |
| Other State Revenue                            | 8300-8599              | \$ 37,050,619          | \$ 33,708,247         | \$ 34,093,492          |
| Other Local Revenue                            | 8600-8799              | \$ 6,194,456           | \$ 3,274,064          | \$ 3,274,064           |
| <b>TOTAL REVENUES</b>                          |                        | <b>\$ 215,691,656</b>  | <b>\$ 182,741,252</b> | <b>\$ 179,380,813</b>  |
| <b>EXPENDITURES</b>                            |                        |                        |                       |                        |
| Certificated Salaries                          | 1000-1999              | \$ 61,118,523          | \$ 60,090,996         | \$ 61,142,588          |
| Classified Salaries                            | 2000-2999              | \$ 36,305,071          | \$ 33,440,405         | \$ 33,808,250          |
| Employee Benefits                              | 3000-3999              | \$ 48,461,101          | \$ 47,612,819         | \$ 48,260,959          |
| Books and Supplies                             | 4000-4999              | \$ 23,985,434          | \$ 8,096,884          | \$ 7,388,126           |
| Services and Other Operating Expenditures      | 5000-5999              | \$ 73,539,007          | \$ 41,153,675         | \$ 41,087,673          |
| Capital Outlay                                 | 6000-6999              | \$ 2,415,060           | \$ 1,260,384          | \$ 1,260,384           |
| Other Outgo (excluding Indirect Costs)         | 7100-7299<br>7400-7499 | \$ -                   | \$ -                  | \$ -                   |
| Transfers of Indirect Costs                    | 7300-7399              | \$ (935,449)           | \$ (750,245)          | \$ (750,245)           |
| Other Adjustments                              |                        | \$ -                   | \$ -                  | \$ -                   |
| Other Adjustments                              |                        | \$ -                   | \$ -                  | \$ -                   |
| Unidentified Budget Enhancements               |                        | \$ -                   | \$ -                  | \$ -                   |
| <b>TOTAL EXPENDITURES</b>                      |                        | <b>\$ 244,888,747</b>  | <b>\$ 190,904,917</b> | <b>\$ 192,197,735</b>  |
| <b>OTHER FINANCING SOURCES/USES</b>            |                        |                        |                       |                        |
| Transfers In and Other Sources                 | 8900-8979              | \$ 4,659,041           | \$ 4,659,041          | \$ 4,659,041           |
| Transfers Out and Other Uses                   | 7600-7699              | \$ (6,560,181)         | \$ (3,884,041)        | \$ (3,884,041)         |
| Net Other Sources (Uses)                       | 8980-8999              | \$ -                   | \$ -                  | \$ -                   |
| Contributions                                  | 8980-8999              | \$ -                   | \$ -                  | \$ -                   |
| <b>Net Increase (Decrease) in Fund Balance</b> |                        | <b>\$ (31,098,231)</b> | <b>\$ (7,388,665)</b> | <b>\$ (12,041,922)</b> |
| <b>BEGINNING FUND BALANCE</b>                  |                        |                        |                       |                        |
| Audit Adjustments/Other Restatements           | 9791<br>9793/9795      | \$ 85,579,305          | \$ 54,481,074         | \$ 47,092,409          |
| <b>ENDING FUND BALANCE</b>                     |                        | <b>\$ 54,481,074</b>   | <b>\$ 47,092,409</b>  | <b>\$ 35,050,487</b>   |
| <b>COMPONENTS OF ENDING FUND BALANCE:</b>      |                        |                        |                       |                        |
| Nonspendable                                   | 9711-9719              | \$ 255,303             | \$ 255,303            | \$ 255,303             |
| Restricted                                     | 9740                   | \$ 11,986,259          | \$ 11,986,259         | \$ 11,986,259          |
| Committed                                      | 9750-9760              | \$ 33,099,731          | \$ 27,884,287         | \$ 15,797,165          |
| Assigned                                       | 9780                   | \$ -                   | \$ -                  | \$ -                   |
| Reserve for Economic Uncertainties             | 9789                   | \$ 8,800,800           | \$ 6,817,700          | \$ 6,862,900           |
| Unassigned/Unappropriated Amount               | 9790                   | \$ 338,981             | \$ 148,860            | \$ 148,860             |
| <b>Total Estimated Fund Balance</b>            |                        | <b>\$ 54,481,074</b>   | <b>\$ 47,092,409</b>  | <b>\$ 35,050,487</b>   |
| <b>Reserve PCT (Unrestricted)</b>              |                        | <b>3.63%</b>           | <b>3.58%</b>          | <b>3.58%</b>           |



**VALLEJO CITY**  
UNIFIED SCHOOL DISTRICT

**2023-24 Second Interim**

County Office Review of the 2023-24 Second Interim

In compliance with the provisions of Education Code (EC) Section 42130 et seq., the staff of the Solano County Office of Education (SCOE) has 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 at the time of the review. We continue to have concerns about the fiscal health of the District and concur with the District’s certification of Qualified; the “District might not meet its financial obligations for the current fiscal year and subsequent two fiscal years.”

Below are our concerns about the current and future fiscal health of the District after we reviewed the second interim report:

1. **Declining Forecast in the General Fund Ending Balance:** The District’s second interim unrestricted multiyear projection (MYP) shows an estimated total deficit of \$29M for the current and two future years. The deficit spending appears to exacerbate in 2024-25 and 2025-26. The projected deficit spending is as follows:
  - a. 2023-24: (\$160K)
  - b. 2024-25: (\$10.7M)
  - c. 2025-26: (\$17.9M)
  - d. The Governing Board has approved Resolution No. 4048, which indicates that specific budgetary solutions of approximately \$7.4M will be included in the 2024-25 budget and are necessary to maintain the District’s fiscal stability. SCOE will work with District staff to obtain the details of the budget reductions and monitor its implementation.
2. **Financial Impact of 2023-24 Certificated and Classified Labor Agreements:** After filing the second 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 May 8, 2024, Board meeting. SCOE is currently reviewing this information and the results of this review are forthcoming.
3. **Declining Enrollment and Average Daily Attendance (ADA):** The District has been experiencing declining enrollment and forecasts that enrollment will continue to decline in 2023-24 and the two subsequent years. The projected enrollment loss for the current year and two future years is about 1,100 students. These declining projections for enrollment and ADA will negatively impact District revenues.

|                      | 2020-21   | 2021-22   | 2022-23  | 2023-24  | 2024-25  | 2025-26  |
|----------------------|-----------|-----------|----------|----------|----------|----------|
| District Enrollment  | 10,614.00 | 10,264.00 | 9,916.00 | 9,437.00 | 8,964.00 | 8,787.00 |
| Actual/Projected ADA | 10,269.63 | 9,362.23  | 8,340.49 | 8,242.92 | 7,829.90 | 7,675.35 |
| ADA to Enrollment    | 97%       | 91%       | 84%      | 87%      | 87%      | 87%      |

From 2013-14 through 2019-20, the ADA-to-enrollment ratio averaged 92 percent. The District anticipates the ADA-to-enrollment ratio to be at 87 percent for the current and two future years.



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To mitigate the negative impacts of COVID-19 on funded ADA, protections are in place to financially safeguard districts that are experiencing declining enrollment. The 2021-22 ADA protection will expire in 2024-25. We recommend that the District continue to take the necessary steps to align staffing and expenditures to the number of students served.

The 2024-25 fiscal year will be the first year the District’s Local Control Funding Formula (LCFF) revenues will be negatively impacted by declining ADA, due to expiring ADA protections as shown in the table below.

|               | 2020-21        | 2021-22        | 2022-23        | 2023-24        | 2024-25        | 2025-26        |
|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| LCFF Revenues | 112,480,832.00 | 122,271,324.00 | 137,802,630.00 | 141,363,911.00 | 133,025,650.00 | 128,097,497.00 |
| Funded ADA    | 10,223.06      | 10,223.06      | 9,921.10       | 9,236.63       | 8,524.54       | 7,976.73       |

- Charter Fund (Fund 09):** As of the second interim report, this fund contains a prior year unrestricted receivable in the amount of \$714K for the transfer of charter in lieu of property taxes. This receivable balance is about 38% of the Charter Fund’s projected ending fund balance.

Due to the nature of the business cycle in the K-12 education industry, most year-end accruals are received/paid within the first few months of the new school year; therefore, lingering accrual balances are concerning. It’s noted as concern as it reflects one of the Fiscal Crisis Management Assistance Team (FCMAT) indicators of school agencies needing intervention: Limited Budget Monitoring – Failure to regularly reconcile balance sheet accounts in the general ledger.

We recommend timely account balance reconciliation to help the District identify any errors in its financial reporting and make timely adjustments.

- Annual Independent Audit:** During our review of the findings and recommendations reported in the District’s 2022-23 fiscal year audit report, we noted two findings related to internal controls over financial reporting and account reconciliations that the corrective actions have not been implemented and are repeat findings from the prior fiscal year. We are noting this as a concern as inattention to the annual independent audit is an indicator of the FCMAT Indicators of Risk or Potential Insolvency. While the District submitted a corrective action plan to our office, the audit report suggests the action plan has not been implemented leading to a repeat finding in the most recent audit report.

We recommend that the District implement their corrective action plan to ensure timely account balance reconciliations, which will help identify any financial errors and to ensure balances presented on the financial statements are accurate and current.

- Local Control Accountability Plan (LCAP):** We remind the District that Supplemental and concentration (S&C) grant funding is included in the LCFF 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. Education Code 42238.07(d) requires any unspent supplemental and concentration funds to be carried forward and spent on actions that contribute toward meeting the increased or improved services requirement. The carryover calculation must be completed as part of the LCAP’s annual update process.

- Contingent Liabilities:** The District’s second interim Criteria and Standards report explains that the District has various cases under Assembly Bill 218, and the District’s



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insurance covers one case; however, the other claim's coverage is in question. The District has committed funds via Resolution No. 4060, to commit \$8.25M in their Special Reserve Fund to address any fiscal impact from Assembly Bill 218. While the District has a commitment of fund balance, the settlement amount for the uncovered claims is unknown and a possible financial risk to the District.

2023-24 Second Interim Narrative

General Fund Components

For the 2023-24 Second Interim, the District's primary budget was composed of an estimated Average Daily Attendance (ADA) of 8,240.38 (excludes COE ADA of 2.54). Due to declining enrollment, the funded ADA was based on the prior year's funded ADA of 9,267.67, utilizing the 3-year averaging method—also, the District's estimated unduplicated pupil percentage for supplemental and concentration funding of 83.63%. The lottery revenue was estimated to be \$177 per ADA for unrestricted purposes and \$72 per ADA for restricted purposes. The transitional Kindergarten ratio "add-on" was \$3,044 per transitional kindergarten ADA, and the mandated Cost Block Grant was \$37.81 for K-8 ADA and \$72.84 for 9-12 ADA.

Revenue Assumptions

Per enrollment trends, the district continues to anticipate a decline in its enrollment. The Local Control Funding Formula is based on the Department of Finance's estimates of COLA and funding percentages toward the District's LCFF Target, as noted above. Unrestricted, the General Purpose revenue will decrease due to a projected decrease in enrollment and a cost of living adjustment (COLA) of 0.76% in 2024-25 and 2.73% in 2025-26. Additionally, the number of unduplicated pupils has increased, which has resulted in an increase in LCFF revenues through supplemental and concentration grant funding. This increase in unduplicated pupils was confirmed through the CalPADS fall certification.

The Federal revenue is expected to decrease for 2023-24 due to the removal of one-time funds and remain constant thereafter. The State revenue is projected to decrease due to the removal of one-time funds and incorporation of net changes in state special education (AB602) revenue based on projected COLAs and funded ADA.

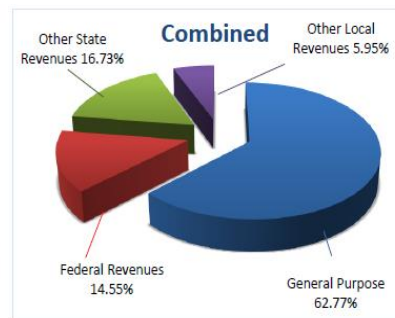
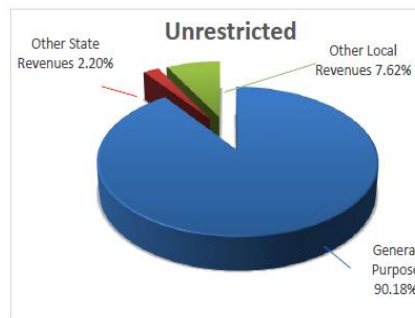
Local revenue includes prior year revenues, which are projected to remain constant for the subsequent years after one-time funds are removed. Local revenue includes prior year revenues, which are projected to remain constant for the subsequent years after one-time funds are removed.



**VALLEJO CITY**  
UNIFIED SCHOOL DISTRICT

General Fund Revenue Components

| Description                    | Unrestricted         | Combined             |
|--------------------------------|----------------------|----------------------|
| General Purpose Revenue (LCFF) | \$141,363,911        | \$141,363,911        |
| Federal Revenues               | \$0                  | \$32,765,106         |
| Other State Revenues           | \$3,448,256          | \$37,680,619         |
| Other Local Revenues           | \$11,941,257         | \$13,392,600         |
| <b>TOTAL</b>                   | <b>\$156,753,424</b> | <b>\$225,202,236</b> |



Expenditure Assumptions

Certificated step and column costs are projected to increase by 1.75% each year. Classified step costs are projected to increase by 1.1% each year. The unrestricted portion of the general fund is projected to absorb the Director of Categorical Grants salary & benefits (0.5 FTEs) since the COVID funds are expected to be exhausted in 2024-25. The unrestricted budget reflects the budget reductions and adjustments of

\$7.4M approved by the board beginning 2024-25 related to resolution No. 4048. Restricted salaries are projected to decrease due to the removal of activity relating to one-time COVID assistance funds, and year-to-year positions funded out of COVID funds will be terminated. As a result of salary changes, benefits adjustments are made to reflect the effects of salary changes noted above, program adjustments, and expected increases to employer pension costs as per the narrative provided earlier in this report. STRS is estimated to remain constant at 19.10% for 2024-25 and 2025-26. PERS is estimated to increase by 1.12% in 2024-25 and an additional 0.70% in 2024-25, a 1.82% increase in the two years.

Unrestricted supplies are projected to decrease in 2024-25 and 2025-26 due to applying the CPI to all services and adjusting supplemental and concentration activity. The net increase in restricted supplies in 2024-25 is due to the one-time funds primarily related to State Lottery funds and applying the CPI to the supply budgets receiving unrestricted general fund contributions. Unrestricted other services and operating expenditures are projected to have a



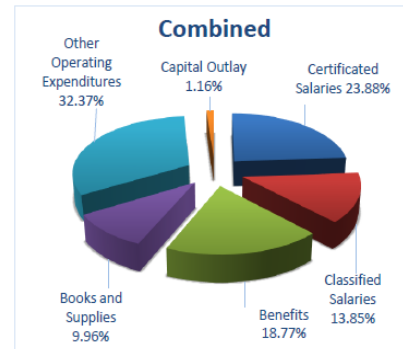
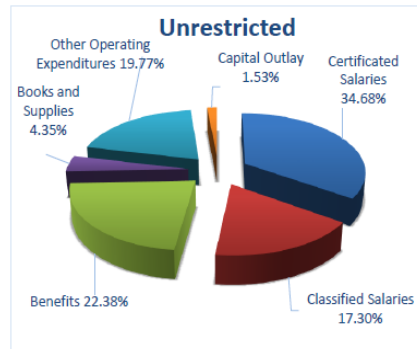
**VALLEJO CITY**  
UNIFIED SCHOOL DISTRICT

net decrease in 2024-25 and 2025-26 due to applying the CPI to all services, adjusting for supplemental & concentration activity, one-time expenditures on facility projects, and adjusting for election costs every other year. Restricted services are projected to have a net decrease in 2024-25 and 2025-26 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 is projected to remain constant after removing one-time expenditures. The transfers of indirect costs are projected to remain constant after one-time expenses are removed. Transfers In are projected to remain constant. Transfers Out are projected to remain flat until 24-25 when the last state loan payment is made. The increase in contributions to restricted programs for subsequent years is primarily due to budgeting for restricted step & column increases, the pension rate changes, and changes in special education funding.

Operating Expenditure Components

| Description   | Unrestricted         | Combined             |
|---|----------------------|----------------------|
| Certificated Salaries                                       | \$46,531,519         | \$60,127,220         |
| Classified Salaries   | \$23,208,169         | \$34,876,446         |
| Benefits (Payroll Taxes and Health & Welfare Contributions) | \$30,022,287         | \$47,257,294         |
| Books and Supplies  | \$5,831,486          | \$25,084,473         |
| Other Operating Expenditures                                | \$26,530,699         | \$81,491,053         |
| Capital Outlay  | \$2,046,671          | \$2,930,274          |
| Other Outgo   | \$0                  | \$0                  |
| <b>TOTAL</b>  | <b>\$134,170,831</b> | <b>\$251,766,760</b> |





**VALLEJO CITY**  
UNIFIED SCHOOL DISTRICT

Estimated Ending Fund

During 2024-25, the District estimates that the General Fund projects a deficit spending of \$10.7 million, resulting in a combined ending General Fund balance of approximately \$47.3 million. Similarly, for 2025- 26, the District estimates that the General Fund will have deficit spending of \$17.9 million, resulting in a combined ending General Fund balance of \$29.3 million.

Illustrated below are the components of fund balance for the current and two subsequent years by Senate Bill 858 disclosure requirements that show the amounts over the State mandated reserve of 3.0% of total General Fund outgo:

| Description                                     | 2023-24             | 2024-25             | 2025-26             |
|---|---------------------|---------------------|---------------------|
| Subsequent Years Projected Deficit              | \$17,060,742        | \$17,684,963        | \$10,238,652        |
| LCAP Supplemental & Concentration Carryover     | \$20,092,112        | \$10,887,561        | \$267,880           |
| <b>Amount Disclosed per SB 858 Requirements</b> | <b>\$37,152,854</b> | <b>\$28,572,524</b> | <b>\$10,506,532</b> |
| Nonspendable Reserves                           | \$255,303           | \$255,303           | \$255,303           |
| Restricted Reserves                             | \$11,638,800        | \$11,638,800        | \$11,638,800        |
| State Reserve for Economic Uncertainty (REU)    | \$9,008,500         | \$6,847,900         | \$6,931,600         |
| <b>Estimated Ending Fund Balance (rounding)</b> | <b>\$58,055,457</b> | <b>\$47,314,527</b> | <b>\$29,332,235</b> |



**VALLEJO CITY**  
UNIFIED SCHOOL DISTRICT

2023-24 Second Interim

| <b>Combined General Fund MYP</b>               |                        |                             |                              |                               |
|--|------------------------|-----------------------------|------------------------------|-------------------------------|
|  |                        | <b>2023-24</b>              | <b>2024-25</b>               | <b>2025-26</b>                |
| <b>Object Code</b>                             |                        | <b>Total Revised Budget</b> | <b>First Subsequent Year</b> | <b>Second Subsequent Year</b> |
| <b>REVENUES</b>                                |                        |                             |                              |                               |
| LCFF Revenue                                   | 8010-8099              | \$ 141,363,911              | \$ 133,025,650               | \$ 128,097,497                |
| Federal Revenue                                | 8100-8299              | \$ 32,765,106               | \$ 9,385,605                 | \$ 9,385,605                  |
| Other State Revenue                            | 8300-8599              | \$ 37,680,619               | \$ 33,283,904                | \$ 33,362,871                 |
| Other Local Revenue                            | 8600-8799              | \$ 13,392,600               | \$ 4,556,354                 | \$ 4,556,354                  |
| <b>TOTAL REVENUES</b>                          |                        | <b>\$ 225,202,236</b>       | <b>\$ 180,251,513</b>        | <b>\$ 175,402,327</b>         |
| <b>EXPENDITURES</b>                            |                        |                             |                              |                               |
| Certificated Salaries                          | 1000-1999              | \$ 60,127,220               | \$ 56,583,688                | \$ 57,573,903                 |
| Classified Salaries                            | 2000-2999              | \$ 34,876,446               | \$ 32,066,305                | \$ 32,419,034                 |
| Employee Benefits                              | 3000-3999              | \$ 47,257,294               | \$ 44,949,386                | \$ 45,599,043                 |
| Books and Supplies                             | 4000-4999              | \$ 25,084,473               | \$ 8,485,484                 | \$ 8,484,312                  |
| Services and Other Operating Expenditures      | 5000-5999              | \$ 81,491,053               | \$ 48,593,074                | \$ 48,993,822                 |
| Capital Outlay                                 | 6000-6999              | \$ 2,930,274                | \$ 1,839,751                 | \$ 1,839,751                  |
| Other Outgo (excluding Indirect Costs)         | 7100-7299<br>7400-7499 | \$ -                        | \$ -                         | \$ -                          |
| Transfers of Indirect Costs                    | 7300-7399              | \$ (941,816)                | \$ (750,245)                 | \$ (750,245)                  |
| Other Adjustments                              |                        | \$ -                        | \$ -                         | \$ -                          |
| Other Adjustments                              |                        | \$ -                        | \$ -                         | \$ -                          |
| Unidentified Budget Enhancements               |                        | \$ -                        | \$ -                         | \$ -                          |
| <b>TOTAL EXPENDITURES</b>                      |                        | <b>\$ 250,824,944</b>       | <b>\$ 191,767,442</b>        | <b>\$ 194,159,619</b>         |
| <b>OTHER FINANCING SOURCES/USES</b>            |                        |                             |                              |                               |
| Transfers In and Other Sources                 | 8900-8979              | \$ 4,659,041                | \$ 4,659,041                 | \$ 4,659,041                  |
| Transfers Out and Other Uses                   | 7600-7699              | \$ (6,560,181)              | \$ (3,884,041)               | \$ (3,884,041)                |
| Net Other Sources (Uses)                       | 8980-8999              | \$ -                        | \$ -                         | \$ -                          |
| Contributions                                  | 8980-8999              | \$ -                        | \$ -                         | \$ -                          |
| <b>Net Increase (Decrease) in Fund Balance</b> |                        | <b>\$ (27,523,848)</b>      | <b>\$ (10,740,929)</b>       | <b>\$ (17,982,292)</b>        |
| <b>BEGINNING FUND BALANCE</b>                  |                        |                             |                              |                               |
|  | 9791                   | \$ 85,579,305               | \$ 58,055,457                | \$ 47,314,528                 |
| Audit Adjustments/Other Restatements           | 9793/9795              | \$ -                        |                              |                               |
| <b>ENDING FUND BALANCE</b>                     |                        | <b>\$ 58,055,457</b>        | <b>\$ 47,314,528</b>         | <b>\$ 29,332,236</b>          |
| <b>COMPONENTS OF ENDING FUND BALANCE:</b>      |                        |                             |                              |                               |
| Nonspendable                                   | 9711-9719              | \$ 255,303                  | \$ 255,303                   | \$ 255,303                    |
| Restricted                                     | 9740                   | \$ 11,638,800               | \$ 11,638,800                | \$ 11,638,800                 |
| Committed                                      | 9750-9760              | \$ 37,152,854               | \$ 28,572,524                | \$ 10,506,532                 |
| Assigned                                       | 9780                   | \$ -                        | \$ -                         | \$ -                          |
| Reserve for Economic Uncertainties             | 9789                   | \$ 9,008,500                | \$ 6,847,900                 | \$ 6,931,600                  |
| Unassigned/Unappropriated Amount               | 9790                   | \$ -                        | \$ -                         | \$ -                          |
| <b>Total Estimated Fund Balance</b>            |                        | <b>\$ 58,055,457</b>        | <b>\$ 47,314,527</b>         | <b>\$ 29,332,235</b>          |
| <b>Reserve PCT (Unrestricted)</b>              |                        | <b>3.50%</b>                | <b>3.50%</b>                 | <b>3.50%</b>                  |



**VALLEJO CITY**  
UNIFIED SCHOOL DISTRICT

2023-24 Third Interim

Per Education Code 42130, The governing board of each school district filing a qualified or negative certification for the second report required under Section 42130, or classified as qualified or negative by the county superintendent of schools, shall provide to the county superintendent of schools, the Controller, and the Superintendent of Public Instruction no later than June 1, financial statement projections of the district's fund and cash balances through June 30 for the period ending April 30. The district has certified its financial condition as qualified for the first and second financial reports in 2023-24. The District provided the Governing Board with end-of-year projections, detailing the projected revenues and expenditures of all District funds, along with the beginning and ending fund balance, through June 30, 2024.

**VALLEJO CITY UNIFIED SCHOOL DISTRICT**  
2023-24 THIRD INTERIM  
Cash Flow Projections thru June 30, 2024

|                     | 01<br>GENERAL FUND   | 09<br>CHARTER SCHOOLS | 11<br>ADULT<br>EDUCATION<br>FUND | 12<br>CHILD<br>DEVELOPMENT<br>FUND | 13<br>CAFETERIA FUND | 17<br>SPECIAL RES OTHR<br>THAN CAP OUTL | 21<br>BUILDING FUND  |
|---------------------|----------------------|-----------------------|----------------------------------|------------------------------------|----------------------|---|----------------------|
| Beginning Cash Add: | 58,850,425.48        | 3,183,252.45          | 2,312,673.77                     | 1,392,164.80                       | 1,696,942.59         | 15,951,872.55                           | 85,947,045.92        |
| Cash Inflows Less:  | 231,146,577.00       | 5,776,697.00          | 2,370,241.00                     | 4,798,993.00                       | 7,978,540.00         | 90,000.00                               | 640,000.00           |
| Cash Outflows       | (269,491,513.00)     | (5,917,125.00)        | (3,739,408.00)                   | (5,019,180.00)                     | (8,613,595.00)       | (670,797.00)                            | (64,146,326.00)      |
| Ending Cash         | <b>20,505,489.48</b> | <b>3,042,824.45</b>   | <b>943,506.77</b>                | <b>1,171,977.80</b>                | <b>1,041,887.59</b>  | <b>15,271,075.55</b>                    | <b>20,446,719.92</b> |

|                     | 25<br>CAPITAL<br>FACILITIES FUND | 26<br>CAPITAL PROJECTS | 30<br>STATE<br>SCHOOL BLDG<br>LEASE PURCH | 35<br>SCHOOL FACILITY<br>FUND | 40<br>SPEC RSRVE FOR CAP<br>OUTLAY PROJ | 49<br>CFD/MELLO-ROOS | 51<br>BOND INTEREST &<br>REDEMPTION |
|---------------------|----------------------------------|------------------------|---|-------------------------------|---|----------------------|-------------------------------------|
| Beginning Cash      | 2,304,212.44                     | 408,064.07             | 126.72                                    | 349,859.23                    | 140,303.13                              | 12,431,603.78        | 15,495,942.44                       |
| Add: Cash Inflows   | 115,000.00                       | 3,500.00               | 2.00                                      | 3,000.00                      | 1,000.00                                | 4,254,526.00         | 9,900,684.00                        |
| Less: Cash Outflows | 0.00                             | 0.00                   | 0.00                                      | 0.00                          | 0.00                                    | (2,667,677.00)       | (15,606,486.00)                     |
| Ending Cash         | <b>2,419,212.44</b>              | <b>411,564.07</b>      | <b>128.72</b>                             | <b>352,859.23</b>             | <b>141,203.13</b>                       | <b>14,018,452.78</b> | <b>9,790,140.44</b>                 |

|                     | 52<br>MELLO-ROOS<br>DEBT SVCS FUND | 54<br>DEBT SERVICE FUND | 67<br>SELF<br>INSURANCE<br>FUND | 71<br>RETIREE BENEFITS<br>FUND | 73<br>FOUNDATION<br>PRIVATE TRUST FUND |
|---------------------|------------------------------------|-------------------------|---------------------------------|--------------------------------|--|
| Beginning Cash      | 118,993.29                         | 2,696,143.96            | 966,973.55                      | 6,454,462.03                   | 122.80                                 |
| Add: Cash Inflows   | 2,646,377.00                       | 3,447,437.00            | 477,000.00                      | 3,012,000.00                   | 515.00                                 |
| Less: Cash Outflows | (2,640,377.00)                     | (3,367,021.00)          | (459,376.00)                    | (1,800,000.00)                 | 0.00                                   |
| Ending Cash         | <b>124,993.29</b>                  | <b>2,776,559.96</b>     | <b>984,597.55</b>               | <b>7,666,462.03</b>            | <b>637.80</b>                          |

**VALLEJO CITY UNIFIED SCHOOL DISTRICT**  
2023-24 THIRD INTERIM  
Projections Totals thru June 30, 2024

|                        | 01<br>GENERAL<br>FUND | 08<br>STUDENT<br>ACTIVITY FUND | 09<br>CHARTER<br>SCHOOLS | 11<br>ADULT<br>EDUCATION FUND | 12<br>CHILD<br>DEVELOPMENT FUND | 13<br>CAFETERIA FUND | 17<br>SPECIAL RES<br>OTHR THAN CAP<br>OUTL |
|------------------------|-----------------------|--------------------------------|--------------------------|-------------------------------|---------------------------------|----------------------|--|
| Beginning Fund Balance | 85,579,305.00         | 326,729.00                     | 2,010,008.00             | 2,731,205.00                  | 992,387.00                      | 2,975,317.00         | 16,146,501.00                              |
| Add: Revenues          | 231,146,577.00        | 0.00                           | 5,776,697.00             | 2,370,241.00                  | 4,798,993.00                    | 7,978,540.00         | 90,000.00                                  |
| Less: Expenditures     | (269,491,513.00)      | 0.00                           | (5,917,125.00)           | (3,739,408.00)                | (5,019,180.00)                  | (8,613,595.00)       | (670,797.00)                               |
| Ending Fund Balance    | <b>47,234,369.00</b>  | <b>326,729.00</b>              | <b>1,869,580.00</b>      | <b>1,362,038.00</b>           | <b>772,200.00</b>               | <b>2,340,262.00</b>  | <b>15,565,704.00</b>                       |

|                        | 21<br>BUILDING<br>FUND | 25<br>CAPITAL<br>FACILITIES FUND | 26<br>CAPITAL<br>PROJECTS | 30<br>STATE SCHOOL<br>BLDG LEASE<br>PURCH | 35<br>SCHOOL FACILITY<br>FUND | 40<br>SPEC RSRVE FOR<br>CAP OUTLAY PROJ | 49<br>CFD/MELLO-<br>ROOS |
|------------------------|------------------------|----------------------------------|---------------------------|---|-------------------------------|---|--------------------------|
| Beginning Fund Balance | 78,671,679.00          | 2,478,658.00                     | 403,085.00                | 125.00                                    | 345,591.00                    | 138,591.00                              | 12,279,936.00            |
| Add: Revenues          | 640,000.00             | 115,000.00                       | 3,500.00                  | 2.00                                      | 3,000.00                      | 1,000.00                                | 4,254,526.00             |
| Less: Expenditures     | (66,140,326.00)        | 0.00                             | 0.00                      | 0.00                                      | 0.00                          | 0.00                                    | (2,667,677.00)           |
| Ending Fund Balance    | <b>13,171,353.00</b>   | <b>2,593,658.00</b>              | <b>406,585.00</b>         | <b>127.00</b>                             | <b>348,591.00</b>             | <b>139,591.00</b>                       | <b>13,866,775.00</b>     |

|                        | 51<br>BOND<br>INTEREST &<br>REDEMPTION | 52<br>MELLO-ROOS<br>DEBT SVCS FUND | 54<br>DEBT<br>SERVICE FUND | 67<br>SELF<br>INSURANCE<br>FUND | 71<br>RETIREE BENEFITS<br>FUND | 73<br>FOUNDATION<br>PRIVATE TRUST FUND |
|------------------------|--|------------------------------------|----------------------------|---------------------------------|--------------------------------|--|
| Beginning Fund Balance | 15,306,876.00                          | 117,541.00                         | 2,663,249.00               | 862,970.00                      | 6,044,652.00                   | 161,087.00                             |
| Add: Revenues          | 9,900,684.00                           | 2,646,377.00                       | 3,447,437.00               | 477,000.00                      | 3,012,000.00                   | 515.00                                 |
| Less: Expenditures     | (15,606,486.00)                        | (2,640,377.00)                     | (3,367,021.00)             | (459,376.00)                    | (1,800,000.00)                 | 0.00                                   |
| Ending Fund Balance    | <b>9,601,074.00</b>                    | <b>123,241.00</b>                  | <b>2,743,665.00</b>        | <b>880,594.00</b>               | <b>7,256,652.00</b>            | <b>161,602.00</b>                      |



**VALLEJO CITY**  
UNIFIED SCHOOL DISTRICT

Conclusion

This financial report was designed to provide the State Trustee and the Governing Board a comprehensive overview of the District's finances for the entire 2023-24 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 2023-24 school year will be the audit review of the District's finances by external auditors who will render their opinion by December 15, 2024.

I appreciate the Solano County Office of Education's support with each of the District's financial reports review during 2023-24. Similarly, I want to thank the Business Services staff members for their hard work in completing the fiscal year 2023-24 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: Dr. Latyna Young, Board President, VCUSD  
John Fox, Board Vice President  
Carlos Flores, Trustee  
Glenn Amboy, Trustee  
Christy Gardner, Trustee  
Rubén Aurelio, Superintendent, VCUSD  
Lissette Estrella-Henderson, Superintendent of Schools, SCOE  
Michelle Henson, Deputy Superintendent, Administrative Services and Operations, SCOE

## Appendix B - Fiscal Concerns and Recommendations



**Lisette Estrella-Henderson, Superintendent of Schools**  
 5100 Business Center Drive, Fairfield, CA 94534-1658  
 707.399.4400 ★ www.solanocoe.net

January 22, 2025

Rubén Aurelio, Superintendent  
 Vallejo City Unified School District  
 665 Walnut Avenue  
 Vallejo, CA 94592

Subject: Fiscal Systems Concerns and Recommendations

Dear Superintendent Aurelio:

The Solano County Office of Education (SCOE) has reviewed the attached follow-up Fiscal Systems Report for the Vallejo City Unified School District (District), prepared by Eide Bailly, LLP. This report evaluates the District's fiscal systems while offering strategic insights that align with the focus areas outlined in the Milestone Document currently being developed by the District.

The Milestone Document serves as a comprehensive tracking tool for the District to establish clear goals with weekly milestones aimed at resolving all outstanding deficiencies identified in the fiscal systems audits and the Fiscal Crisis & Management Assistance Team (FCMAT) evaluation reports, including eight progress and annual review reports. It serves to clearly communicate objectives and monitor progress, ensuring the District is effectively addressing issues within its fiscal operations.

Although the report notes positive developments in the District's culture and indicates that the most critical solvency risk factors have remained stable, SCOE remains deeply concerned about several key financial issues that we have previously identified and communicated to you and your team that must be addressed and resolved with urgency:

### 1. Financial Projections

- a. Recent budget projections suggest that the district will need to address a projected structural deficit of \$36 million over the next two fiscal years to maintain the required 3% reserve. Furthermore, current projections may not fully account for potential collective bargaining agreements, inflation, or other statutory payroll costs, which pose additional risks to financial stability.
- b. There appears to be a reliance on one-time local revenue from potential sale of property to mitigate budget shortfalls.
- c. Cash flow may deteriorate starting in 2025-26 if no corrective action is taken.

### 2. Declining Enrollment and Attendance

- a. Ongoing declines in student enrollment and attendance are negatively affecting Local Control Funding Formula (LCFF) revenues and the District's overall fiscal health.
- b. Discrepancies in attendance reporting, impacting funding calculations.

### 3. Position Control and Reconciliation

- a. There are gaps in reconciling position control with budgets and payroll, complicating accurate financial reporting.

★ Preparing students to learn, grow, thrive, and achieve lifelong success ★

- b. Despite declining enrollment, full-time equivalent (FTE) positions do not appear to be appropriately adjusted, which further impacts fiscal solvency.
- c. Ineffective coordination between human resources, educational services, and business operations appears to have led to missed opportunities for resizing the District.

#### **4. Overreliance on External Vendors**

- a. The district continues to depend heavily on external consultants for critical functions such as charter oversight, attendance software, and facilities accounting.

#### **5. Vacancies in Key Positions**

- a. Critical roles, including the Chief Business Official and Internal Auditor, remain vacant, and there is a critical need for subject matter experts in accounting and financial operations.

#### **6. Facilities and Site Usage**

- a. Inefficiencies in site utilization have led to increased costs for vandalism and security.

It is important to emphasize that most of these concerns were originally identified in the initial systems report. Although the financial risk has not deteriorated, the District has yet to make meaningful progress in addressing these critical issues. This lack of action heightens the need for immediate and focused attention to ensure long-term financial stability and operational efficiency. Therefore, as we have communicated previously, the District must prioritize and implement the following actions:

#### **1. Multi-Year Financial Planning and Structural Deficit Mitigation**

- a. Develop and implement a comprehensive plan to achieve \$36 million in ongoing expenditure reductions over the next two fiscal years.
- b. Ensure timely adjustments to attendance and enrollment data in state reporting systems to optimize LCFF revenues.
- c. Explore alternative revenue streams.
- d. Timely implementation of the Facilities Advisory (7-11) Committee's recommendations on property consolidation and surplus declarations, as necessary.
- e. Continue to extend financial projections beyond the required two years to account for expiring funds and potential fiscal challenges.
- f. Clearly document assumptions underlying budget projections to enhance transparency and accuracy.

#### **2. Student Attendance and Enrollment Strategies**

- a. Strengthen initiatives to improve attendance rates to match or exceed the statewide average.
- b. Adjust staffing levels to align with enrollment trends and address fiscal strain.

#### **3. Capacity Building**

- a. Develop internal capacity for long-term fiscal stability and reduce reliance on external vendors.
- b. Promote collaboration across departments to strengthen skills in financial, operational, and educational management.

#### **4. Improved Financial Practices**

- a. Address discrepancies in position control, reconcile financial records, and establish routine audits of key general ledger accounts.
- b. Improve budgeting for vacancies and substitute costs to align staffing levels with current financial realities.

In conclusion, as the District works toward exiting receivership, addressing its current challenges with immediate actions is necessary. SCOE is optimistic that these issues can be effectively managed through strong leadership and prompt action. By prioritizing financial stability, enhancing operational efficiencies, and developing and implementing strategic plans, the District has the potential to establish a sustainable path for long-term financial health and success for its students. If you have any questions regarding this letter, please do not hesitate to contact Michelle Henson at (707) 399-4405.

Sincerely,

Lisette Estrella-Henderson  
Superintendent of Schools

Enclosure: Fiscal Systems Report

Cc: Michelle Henson, Deputy Superintendent, Administrative Services and Operations, SCOE  
Diana Lopez, Director, District Business Services, SCOE  
Mel Iizuka, SCOE Trustee  
Members of the Board of Education



January 17, 2025  
Draft presented: December 19, 2024

Ms. Michelle Henson  
Deputy Superintendent of Administrative Services and Operations  
Solano County Office of Education  
5100 Business Center Dr.  
Fairfield, CA 94534-1658

Dear Deputy Superintendent Henson:

As contracted with the Vallejo City Unified School District on November 16, 2022, our firm performed a non-attest function in compliance with Education Code 41320.1(a)(4) for the purpose of determining the strength of the fiscal systems of the district associated with the final payment of the State Apportionment Loan. The report was presented to the district in draft July 31, 2023, and finalized November 1, 2023. Our firm is providing a subsequent, follow up report, as requested on July 17, 2024, by the Solano County Office of Education. The purpose of the follow up report is to assess the status of previous findings and determine whether any novel issues of substance emerge.

We were not engaged to, and did not, perform a financial audit, the objective of which would be to express an opinion on the district's specified records, accounts, or items. Accordingly, our firm does not express such an opinion. Had our firm performed additional procedures, other matters may have come to our attention and reported to you.

However, our firm did perform certain procedures that resulted in internal control findings for the fiscal system. These findings are in the following report.

This report is solely for use by the County Office of Education and only be used by those who have agreed to the procedures and assumed responsibility for the sufficiency of the procedures for their purposes.

Respectfully,

A handwritten signature in blue ink that reads "Caroline A. Larson".

Caroline A. Larson, CPA  
Partner

The overall conclusion from this assessment is that district culture improved from over a year and half to two years ago and the most important risk factors for solvency have not degraded, specifically, the district continues to operate within the County Treasury for most of its major funds, utilizing the county office of education financial systems software, contracting with a reliable attendance software vendor, has not issued non-voter approved debt. The district continues to publish, via its website, timely, detailed, and relevant information about its Board meetings and community committees.

The challenges the district faces are those of many California K-12 public schools, which include declining student enrollment, degraded student attendance percentages, high investments needed in safety & security, efficiencies needed in usage of sites, loss of federal and state protections in the form of extra, one-time funding, loss of student attendance formula protections from the pandemic era, and rightsizing staff to meet the decline in student enrollment, amidst increasing student needs.

The district continues to rely on vendor support in its legal counsel, audit firm, municipal advisor, facilities accounting, attendance software, and charter oversight. The district needs to continue to build their capacity in these areas. Lack of doing so could cause the district's condition to degrade further.

A new Superintendent as of July 1, 2024, is bringing new energy and enthusiasm for the difficult tasks of rightsizing staff and facilities. The district's choice to involve legal counsel is wise to avoid missteps in a very complicated and fraught process. Although in the early days, more action has been taken in the past few months than previous years, to resolve these issues. Overall staff morale seems improved, of whom see the district moving in the right direction, recognizing the tall task of exiting receivership.

The district will financially suffer until its student attendance rate matches the statewide average of 5% illness rate, addresses right-sizing staff that has not been attended to for more than seven years, utilizes facilities such that the vandalism, security, and related repair costs subside, and programmatic changes can be implemented to increase student achievement.

Our firm continues to emphasize that the district needs to further build their capacity and learn more from its long-term vendors. Vendors, including legal counsel, continue to be the source for information about the district's bond-sourced capital improvements, charter oversight, and details regarding future site usage. The district is still unable to articulate the relationship between enrollment, attendance, staffing and utilization of financial resources and facilities. Although employee teams may meet across the functions of human resources, facilities, business, and education, the agendas and results do not appear to yield the rapid pace of understanding and coordination needed to implement a recovery plan.

Although important, undue emphasis appears to be attended to the Local Control Accountability Plan (LCAP) and audit checklists for several years, with actions toward solvency of subordinate priority. It is unclear whether LCAP 'carryover' will be a one-time investment or on-going and is complicating the understanding of the districts multi-year projections.

The highest concern is the district's tenuous financial position moving into the 2025-26 year and beyond. Please see Exhibit One, an Eide Bailly-prepared multi-year projection that demonstrates the district will not meet its 3% reserve in the first subsequent year. Assuming the general operations of the district continuing a similar trajectory, the district's general fund would need to either increase revenue / decrease expenditures by \$18 million on-going, beginning July 1, 2025, and another \$18 million on-going, beginning July 1, 2026, for a total of \$36 million in on-going changes to program over the course of two-years, on-going, to maintain the required 3% reserve. This estimate does not include changes

for prospective collective bargaining agreements, inflation, student needs, utilities, or statutory changes in insurance /payroll benefit costs, other than increases to PERS. District cash flow would be impacted negatively as of the 2025-26 school year. These projections do not include action for projected reductions in force, sale of property, reconfigurations of sites, or site closures. The multi-year projection provided to the Solano COE is for their use, assuming the district proposed plans do not materialize.

### **Updates and changes since the previous fieldwork of December 2022 through June 2023:**

#### EXTERNAL AUDIT AND OVERSIGHT

- The district completed its external financial statement audits for fiscal years 2022-23 and 2023-24, with the 2023-24 audit meeting the December 15<sup>th</sup> deadline for the first time since the disruption of the worldwide pandemic.
- The district completed its draft First Interim 2024-25 report timely, by Thanksgiving, with the budget in the financial system, supporting the summary SACS data, and not materially changing to the final submission. However, the technical review checks reveal the district does need better understanding of each resource and / or better coordination with human resources and educational services so that programs have plans, the employees and vendors are direct charged, and that the actuals directly relate to the budget. When this happens, the resource accounting improves.
- The Adopted Budget 2024-25 was clear of technical review errors, an improvement over previous submissions.
- FCMAT performed their latest annual review, released November 1, 2024, supporting the concerns raised in the Eide Bailly November 2023 Education Code 41320.1(a)(4) assessment and adding their own conclusions.
  - FCMAT concluded that, “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.”<sup>1</sup>

#### OFFICE OF THE SUPERINTENDENT

- The district hired a new Superintendent, Mr. Rubén Aurelio, upon the retirement of Mr. William Spalding, June 30, 2024. In the first few months of his administration, Mr. Aurelio is creating a culture of action, engagement, and accountability. Superintendent Aurelio has a sense for the community and the outreach needed, using a variety of vendors and media. He is immediately addressing facilities safety, upgrades, reconfiguration, and its impact on students and staff. Within

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<sup>1</sup> Fiscal Crisis Management and Assistance Team, Vallejo City Unified School District Annual Review,” November 1, 2024.

less than five years, Vallejo could see a resurgence in its vitality with his leadership. Success depends upon the energy of the Governing Board, internal staff, and outside community responding to his student-centered revitalization efforts. Mr. Aurelio has every intention of spending years with the district, which is exactly the dedication needed to address the challenges of culture, student achievement, safety, facilities improvement, and talent development.

- Superintendent Aurelio’s leadership style of bringing all executive leadership positions together, to collaborate, deepen their own learning, and see the value of connectivity across the disciplines of education, human resources, business, and facilities, to address the complicated issues, is new and needed. By valuing the current team, Superintendent Aurelio is providing the stability needed in this moment. Superintendent turnover has dampened the ability of the district to move forward in the past. Superintendent Aurelio is addressing the most damaging fiscal stressors first by concentrating on facilities and student attendance.

**SUBJECT MATTER EXPERTS**

- The district’s internal auditor retired after 20 years of service in March 2024. The position was subsequently filled briefly and is currently vacant. For many reasons, this assessment agrees with the district decision to pause on filling this position until the appropriate person(s) can be recruited. An extra accounting position could be considered a “luxury” for a district this size. However, the district retained its complexity even with the loss of students. When considering the number of issues that need attention, more subject matter experts may be needed as support to Executive leadership.
- The district needs an accounting expert who can be the second set of eyes for balance sheet reconciliations, understanding all transactions of the district and how the systems inter-relate, training, monitoring, and holding payroll, accounts payable, banking, and purchasing technicians accountable. In a simple example, the vendor records show that the same vendor is paid under multiple names (including the State Trustee, Mr. Iizuka who is entered as IIZUKA, MELVIN E. and MELVIN E. IIZUKA). Usually, this error indicates lack of care, lack of knowledge of the financial system, or both, and can lead to fraud, or at the very least, a breakdown in the ability to analyze vendors and their costs. The prevalence of this error is enough to note and cause concern about competency of basic skills.
- Our firm provided a balance sheet reconciliation, which is beyond the scope of an external audit, performing the tasks of the accounting department. The result was improved over the prior assessment that took place in the first half of calendar year 2023. Fewer unreconciled accounts existed, and the magnitude of each unreconciled account decreased. Although the overall effect of these items’ nets to \$53,410.18, the concern is that the district has several accounts that need attention.

| Object | Description        | Projected Fund Balance Impact<br>INC/(DECR) |
|--------|--------------------|---|
| 9502   | Federal Income Tax | (1,416.32)                                  |
| 9503   | Medicare           | (583.65)                                    |
| 9504   | STRS               | (189,975.62)                                |

|      |                  |             |
|------|------------------|-------------|
| 9506 | PERS             | 151,835.07  |
| 9514 | STRS Buyback     | (4,348.98)  |
| 9542 | State Income Tax | (12,841.52) |
| 9547 | Deferred Net Pay | 6,535.02    |
| 9556 | Dues             | (354.55)    |
| 9557 | Misc Vol Deds    | (97.56)     |
| 9559 | OPEB             | 1,393.94    |
| 9569 | Other Benefits   | (2,526.95)  |
| 9595 | District Repays  | (1,029.06)  |

- The relationship between the calculation of the Local Control Funding Formula (LCFF), district student attendance, charter attendance shift, the external audit findings, and the maintenance of the general ledger need to be understood and implemented timely. A review of the calculation as of December 2024, reveals the following:
  - District attendance for 2022-23 and 2023-24 has not been revised in the Principal Apportionment Data Collection system for the audit corrections.
    - The district's 2022-23 attendance was downgraded by 93.66 ADA per the external audit and is not reflected in the 2022-23 Annual R1 cycle, a second cycle since the audit. This indicates the district did not file the revisions.
    - The district's attendance was upgraded by less than one ADA as of 2023-24 per the external audit and should be reflected in the 2023-24 Annual cycle, the first cycle since the audit. The district did not provide the revisions.
    - The district filed the charter shift data upon prompting by this assessor that appears suspect for 2022-23 and 2023-24; the numbers reported for both years is the same, which is statistically almost impossible. The district revised its reports for both years without providing support to this assessor or the external auditor. As a result, the auditor did not count this shift and upgraded the district's LCFF and effectively reversed the payables the district set at 2023-24 closing.
  - Our recalculation of the LCFF with all these factors, and a balance sheet reconciliation, show the district did not reverse two accounts payable balances of \$712,656 and \$340,483 from the balance sheet into the income statement prior year LCFF account, 8019 object, as they should have. These entries would have offset the funds owed to the California Department of Education of \$495,256 for 2022-23 and \$1,126,775 for 2023-24. These amounts remain unreconciled as of this assessment.
  - It would benefit the district to engage with our team to implement the details and provide support for the charter shift.
- District employees in both facilities and business need to be able to articulate the details of the facilities project planning of architects and contractors, with timing the issuance of debt, funding applications, sourcing revenue to fund projects, project budgeting, cash flows, and reconciliation to the general ledger. The recommendation is for district employees to gain the skills, knowledge, and expertise (SKE) from active engagement with the two highly knowledgeable and capable vendors who have been serving the district, Key Analytics, a division of C Financial Investment Inc., and Government Financial Strategies. Attaining the SKE of these professionals is a goal for district employees to achieve. While our firm does not recommend changing vendors or eliminating them;

these vendors have been, and continue to be, a vital support for fiscal solvency. The district needs to change its mindset from reliance, to learning from the vendors, such that the district builds their own capacity and internal systems to ensure fiscal solvency.

- When a district has approved as many charters (six) as Vallejo, the tasks associated with charter oversight become a role unto itself. The same SKE required to operate a district is required to effectively oversee another local educational agency (LEA). Charters function with many of the same, but not all, compliance of a K12. Many charters operate as non-profits, with quasi-governmental practices. Nonprofit charters follow Financial Accounting Board Standards (FASB) and K12 LEA's follow Governmental Accounting Board Standards (GASB), as one example. California K12 compliance is the most demanding of all 50 states. The level of commitment to this process is equivalent to operating one's own LEA, plus providing the functionality of a County Office of Education, that employs entire departments for each discipline that needs monitoring. The district engages Government Financial Strategies to perform this service, which it is recommended to continue. Again, the district goal is to attain the SKE of its vendor support, even when the district does not have staff to perform the task.

#### SITE USAGE / BOUNDARIES / 7-11 COMMITTEE

- On May 17, 2023, the Governing Board approved a boundary change for Highland Elementary School, set to take effect in the 2023-24 school year. This adjustment expands Highland Elementary's attendance boundaries to include all students in third through sixth grades who Lincoln Elementary School currently serves. The decision to modify this boundary meets the need to implement a comprehensive reconfiguration plan for Lincoln Elementary, which started at the beginning of the 2023-2024 school year. This reconfiguration aimed to optimize student distribution and resources between the two schools, ensuring that all students received appropriate educational support and facilities. As a result of this change, families in the affected areas will have more precise options for their children's education. They will benefit from the resources and programs offered by Highland Elementary School.<sup>2</sup>
- Pursuant to Education Code Section 17387 et. seq., the district authorized the establishment of the District's Facilities Advisory (7-11) Committee. The Committee meets to convene a public hearing to solicit input, comments and questions on the disposition and proposed use of certain real property owned by the district. The district's 7-11 committee's role is to present options to the District's Governing Board. During the fall of 2024, these options received the highest level of consideration.<sup>3</sup>
  - The Committee recommends that the Board consolidate the students currently attending Pennycook Elementary with the students currently attending Stefan Manor Elementary and declare the Pennycook property as surplus to District needs. The district should consider potential alternative uses for the Pennycook property, in addition to considering potential lease or sale of the site to generate revenue.
  - The Committee recommends that the Vallejo Charter School program relocate to the Mare Island Academy facility. The district should evaluate the Vallejo Charter School site for potential use as staff housing as well as recreational and sporting uses for the athletic facilities

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<sup>2</sup> Vallejo City Unified School District audit report, as of June 30, 2024.

<sup>3</sup> Vallejo City Unified School District 7-11 Committee, approved minutes for October 23, 2024 meeting.

and fields. The Committee also wishes for the Board to have the flexibility to consider potential sale or lease of the Vallejo Charter School site, to maximize its value in a desirable location.

- The Committee recommends that the students attending middle school in the separate building at Loma Vista relocate to Solano Widenmann. The middle school could be used to house an extended learning program associated with the nearby Loma Vista school and Farm program, professional development facility, or other District facility needs.
- The Committee recommends that the Mare Island Academy students consolidate to the Federal Terrace and Lincoln elementary schools and to surrounding middle school sites, to make room for the Vallejo Charter School program to relocate to the Mare Island Academy facility. The Committee recommends the district should retain ownership of the Mare Island Academy facility to potentially accommodate increased enrollment expected from residential development on the island.
- For any facilities found to be surplus to District needs, the Committee supports any decision by the Board to apply for a waiver of the surplus property competitive bidding requirements to seek offers that are most advantageous to the district based on multiple factors, including price.
- The district is encouraged to consider the consequences of selling property for general fund operations per State Allocation Board guidance in Appendix A and the benefits of occupying its property in alternate ways when vacated for K-12 education.

#### 2024-25 FIRST INTERIM CERTIFICATED POSITION CONTROL / STAFFING

- Despite decline in student enrollment, the district has not adjusted FTE, which will impact solvency.
- The district improved its budgeting to conform more closely to the staff on the payroll than in the past. However, the district budgeted for vacancies in regularly assigned positions. It is unclear whether these vacancies will materialize; the budgets are in the several millions.
- The substitute budgets are half the actual costs of prior years. Should the vacancies not be filled, then the costs would be shifted to increasing the sub budgets, overall, not materially affecting fund balance. However, should the vacancies be filled, the substitute position budgets could be materially understated.
- The general fund teaching FTE appears to fluctuate from 2021-22 through 2024-25, from 438 to 453. Curiously, a large percentage of the 2023-24 teaching staff terminated, yet seemingly was replaced in 2024-25 by 43 new FTE. It appears the district may have lost a valuable opportunity to resize one of its largest employee groups. When systems are not in place between human resources, education, and business, lost opportunities frequently happen during periods of Superintendent transitions. However, the district does not have a history of reducing staff; our analysis dates to 2018-19.
- From 2021-22 through 2024-25, approximately 30 certificated, general fund administrators have been on payroll. Certificated support staff, which includes, primarily counselors, psychologists, and pupil services personnel, grew slightly from approximately 28 FTE to 33 FTE.
- The growth in salary costs appears to have been from salary schedule increases over the past four years. It is apparent, by informal comparisons available to our firm, that Vallejo certificated

salary schedules were modest *prior to 2022-23*, which is common amongst districts that must cost control when all other factors remain the same.

- The district appears to be paying penalties to certificated employees for late payment of compensation. The related costs total as much as a couple hundred thousand dollars annually. It is unclear whether these costs are mislabeled in the ledger, or this does represent a penalty paid from object code 1125.

#### 2024-25 FIRST INTERIM CLASSIFIED POSITION CONTROL / STAFFING

- Despite decline in student enrollment, the district has not adjusted FTE, which will impact solvency.
- The district improved its budgeting to conform more closely to the staff on the payroll than in the past. However, the district budgeted for vacancies in regularly assigned positions. It is unclear whether these vacancies will materialize; the budgets are in the several millions.
- The substitute budgets are half the actual costs of prior years. Should the vacancies not be filled, then the costs would be shifted to increasing the sub budgets, overall, not materially affecting fund balance. However, should the vacancies be filled, the substitute position budgets could be materially understated.
- Classified administration FTE has remained consistent over the period of 2021-22 through 2024-25. The increases have resulted from changes in salary schedule and positions supported by Expanded Learning Opportunities Program (ELOP-2600) and California Learning Communities for School Success Program (LCSSP-7085).
- Classified instructional and support staff FTE have remained relatively consistent, with 2021-22 appearing to be the only year of challenges finding and retaining employees. Otherwise, the district appears to have consistently employed the same person, or quickly filled a vacancy.

#### 2024-25 FIRST INTERIM VENDOR BUDGETS

- The LCAP vendor budget (objects 4000-7999) is \$10M more than actuals plus encumbrances as of November 25, 2024.
- The 2024-25 First Interim budget for non-public agency, object code 5896, across all resources for goals 5xxx, is budgeted at \$11.6M. The history of these costs has increased from just over \$4M in 2018-19 to Over \$20M in 2023-24. The district should revisit this area of the budget.

#### 2024 -25 FIRST INTERIM REVENUE BUDGETS

- The district needs to monitor its federal title programs. It appears to be carrying over more than the 15% limit for 15 months for Title I and is likely to lose funds for the remaining titles for carrying over more than the permitted 27 months.
- The budget for 8699, local revenue, is budgeted at \$4.6M. The district has consistently received anywhere from \$500K to \$1.5M for this revenue source. Anything higher than this amount should be clearly documented in assumptions.

#### MULTI-YEAR PROJECTIONS

- The district has extended their projections from the required two years to four, which was a recommendation from the prior assessment.

- The district is encouraged to project to the level of detail in the fund financial statements for the general fund. With many one-time monies expiring, it is unclear how the district is tracking on-going costs currently paid with expiring funds.

#### CA COMMUNITY SCHOOLS PARTNERSHIP PROGRAM (CCSPP)-PLANNING GRANT (RS 6331) / COHORT 2 IMPLEMENTATION (RS 6332)

- Vallejo USD is participating in CCSPP. It is unclear how the district is performing the required match (1/3 of the award) for this multi-million-dollar implementation. The award intends to sunset within five years. Participating districts must bear the full cost of the program without support at that time. The CCSPP requirement creates a fiscal challenge by building an on-going program with one-time funds.

#### STUDENT ENROLLMENT

- District enrollment continues to decline, while charter enrollment increases. The district's enrollment decreased from 13,683 in 2014-15 to 9,299 in 2024-25<sup>4</sup>. Year over year change from 2023-24 to 2024-25 is a decline of 142 students, down from 9,441 in 2023-24. The district loss is equivalent to losing a small elementary school of 438 students per year, for ten years.
- Conversely, charter enrollment has grown from two independent charters and one independent charter in 2014-15, with 1,313 student enrollment, to one dependent charter and five independent charters with 2,358 enrollment in 2023-24. The charter enrollment year over year from 2022-23 to 2023-24, increased by fifty-nine enrolled students. Fiscal year 2024-25 data is currently unavailable for this report.

#### STUDENT ATTENDANCE

- Our firm requested the district re-run its 2023-24 student attendance reports and we re-performed the summary of ADA for line A-1. The result was a potential discrepancy between the reported number and the re-performed number, resulting in an improvement of approximately 41 ADA. The ADA difference would improve 2024-25 revenue due to the best of prior year, current year, and the three-year average by \$230,000. The differences occurred in the Tk/K-Grade 3 and grades 9 through 12 ADA. The district was unable to connect on this matter to determine how the district arrived at the lower number and no attendance reports have been adjusted.
- The district did not complete the charter shift data in 2022-23 and 2023-24 student attendance PADC P2 report. When notified of this item, the district updated their P2 for both years but failed to provide support for the numbers to either our external audit or our 2024 assessment team. The data appears suspect as it was reported with the same numbers for both years, which is almost a statistically impossible occurrence. The loss of revenue with the current numbers exceeds \$2.1M, so it is important for the district to calculate this attendance number correctly.

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<sup>4</sup> CALPADS reporting 2024-25 uncertified data, December 4, 2024.

**Business activities that ran concurrently during the period of this assessment:**

- The district prepared its 2023-24 Unaudited Actuals,
- Interacted with the Solano County Office of Education regarding its 2024-25 Budget Adoption and Local Accountability Plan (LCAP),
- Interacted with its internal auditor for its 2023-24 external audit,
- Underwent a State Teacher’s Retirement System (STRS) audit in September 2024,
- Underwent a Fiscal Crisis Management & Assistance Team (FCMAT) annual review,
- Reported to outside agencies, finalizing pandemic resources, and new CDE initiatives like Expended Learning Opportunities Program (ELOP), and
- Completed its 2024-25 First Interim Report.

The activities demanded so much of the district’s staff time that it was difficult to collaborate on the activities our firm performed to show the district the way our firm accomplishes the same tasks in our consulting practice for their benefit. Although this was not the purpose of this engagement, we were able to share information on validating attendance reporting and balance sheet reconciliation. The district’s Chief Business Official has been very warm and welcoming of collaboration with the time available.

**Situations that remain unchanged:**

- The Vallejo City Unified School District, established in 1855,<sup>5</sup> is a political subdivision of the State of California located in Solano County.
- Encompassing approximately fifty-two square miles, the district serves a population residing primarily in the City of Vallejo.
- The district provides education to approximately 9,299 students in transitional kindergarten through twelfth grade, as well as students in preschool programs, adult education, and a dependent charter school. The district continues to decline an average of 435 students per year, or a small elementary school annually.
- The district operates fourteen elementary schools, one middle school, two comprehensive high schools, a continuation school, an adult education school, and a charter elementary school.<sup>6</sup>
- The district sponsors a total of six charters, including 1) Vallejo Charter School, reported in fund 09 of the district financials and included with the districts external audit report, 2) Caliber: Change Makers Academy, 3) Mare Island Technology Academy, 4) MIT Academy, 5) MIT Griffin Academy Middle and 6) Griffin Academy High.
- A five-member elected Board of Education governs the district.
- The district approved Measure S, in November 2018. The purpose of the measure is, “to improve classroom education, safety, and college/career preparation by repairing/updating classrooms,

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<sup>5</sup> General Obligation Bonds Official Statement, Election of 2018, series 2023, March 24, 2023

<sup>6</sup> CALPADs 2024-25 report dated December 4, 2024.

roofs, and bathrooms; updating science/technology labs; improving security/disability access; acquiring, constructing, and modernizing sites/facilities/equipment, shall Vallejo City Unified School District issue \$194,000,000 of bonds raising approximately \$10 million annually on average for 33 years at a projected rate of 6¢ per \$100 of assessed value at legal interest rates with citizen oversight, annual audits, and no money for administrators' salaries/pensions."<sup>7</sup> The district issued \$39 million in 2019, \$52 million in 2021, and \$52 million in 2023. The district projects to exhaust the current issuance in the beginning of 2025-26 and would need to sell the remaining \$51 million, if permitted to do so, in 2025-26.

- All Community Facilities District (CFD) debt will be exhausted by 2026-27.
- The district does not appear to receive redevelopment agency funds outside of the LCFF that could be used for facilities maintenance, modernization, or construction. The district is encouraged to engage a consultant specializing in researching the RDA revenue streams to determine whether it is due these funds.
- The district is expected to exhaust all self-insurance liabilities by June 30, 2025. The district no longer self-insures worker's compensation or any other insurance. The liability represents a tail of costs from prior experience.
- Vallejo is the sixth of the nine total districts to repay its State Apportionment Loan as of yearend June 30, 2025. Oakland Unified School District expects complete repayment no later than the June 2026 deadline. South Monterey County Joint Union High (formerly King City Joint Union High) and Inglewood Unified remain, with South Monterey County expected to be paid in full October 2028, and Inglewood in November 2034.<sup>8</sup>
- Vallejo USD continues to provide life-time health benefits to retired personnel, even though this practice has been recognized as an undue burden to school districts since the first district State Apportionment Loan in 1990.

**Eide Bailly developed framework for mitigating extreme financial risk have not degraded since the field work of December 2022 through June 2023.**

- Actions of Board members, administration and / or employees are absent of self-interest and / or criminal intent.
- Actions of vendors are absent of self-interest and / or criminal intent.
- District uses the County Treasury for banking services.
- District uses the County Office of Education financial services software to report financial information for actuals, budget, and encumbrances.
- District uses all the available modules within the County Office of Education financial information system for position control, payroll, retirement and tax reporting, cash collections, fixed assets, and vendor payments.
- District televises Governing Board meetings, conforms to the requirements of the law as it pertains to open meetings, and posts minutes and recordings within two weeks of the live event.

<sup>7</sup> Measure S Ballot verbiage, November 2018.

<sup>8</sup> California Department of Education website.

- District offers a Board agenda that increases community understanding of issues by writing narratives that address compliance and how the district is conforming to the requirement which includes the financial, educational, and administrative impact.
- District uses reputable, sustainable software vendors for student information systems.
- District does not issue non-voter approved debt such as Bond Anticipation Notes (BANs), Certificates of Participation (COPs) and capital leases.
- District evaluates the financial impact of all passages of its collective bargaining contracts and continuously reviews and updates to cost contain the agreements during the bargaining process.
  - The district is completing the forms to permit the Solano County Office of Education to intervene. However, as noted in the FCMAT November 1, 2024, annual review:
  - “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 Vallejo City Unified School District continues to experience challenges in addressing the Eide Bailly developed framework for mitigating elevated financial risk as listed below. Stable, financially secure, LEAs exhibit these characteristics. Vallejo is rightfully putting focus on the items listed below. However, the challenge will be, “Can Vallejo USD attend to these needs with the swift action required?”**

- District offers an educational and co-curricular program that is recognized by the community, demonstrated by student enrollment and attendance metrics, that outpace and/or eliminate competition from charters and private schools.
- District offers a safe environment, as recognized by the community, to be free of violence and/or threats, and / or has a qualified response team to address natural and preventable disasters to minimize harm.
- District offers a physical environment, as recognized by the community, that is welcoming, ergonomically correct, and free of toxins.
- District easily attracts and retains talent at all levels of the organization, including the Governing Board, administration, and staff.
- District administration has clearly communicated a vision and mission to which all employees understand and can express, which is reflected in the district’s policies, procedures, and educational, administrative, & financial activities.
- Human resources, education and business administration understand and implement the law, compliance, and best practice of their field, competently supervising their staff, and integrating their disciplines from the executive level through the entire organization, as measured by accountability metrics, audits, and community satisfaction.

## APPENDIX A

USE OF SCHOOL PROPERTY PROCEEDS<sup>9</sup>

Under certain circumstances, a school district must request authorization to transfer surplus site sale proceeds into its general fund account under this service.

Education Code Section 17462 provides guidance for school districts to transfer surplus site sale proceeds into their general fund account. School districts that utilize the authority authorized by Education Code Section 17462 are prohibited from participating in any State Allocation Board (SAB) administered programs for five years, as outlined in Education Code Section 17462(d). Prior to transferring site sale proceeds into their general fund account, school districts must submit the following documents to the Office of Public School Construction (OPSC) in order for their request to be processed:

1. A letter to the Executive Officer of OPSC requesting authorization, pursuant to Education Code Section 17462, from the SAB to transfer site sale proceeds into the district's general fund account for a one-time general fund purpose.
2. A school board resolution stating the following:
  - The school district has presented a plan to the local school board detailing the source and use of the funds and explaining why the expenditure will not result in on-going fiscal obligations for the district.
  - The school district certifies to the SAB that:
    - The District has no major deferred maintenance needs that cannot be covered by existing capital outlay resources.
    - The sale of the property does not violate the provisions of any local bond act.
    - The District has no anticipated need for additional sites or construction for the next ten years.
  - The proceeds of the sale will be used for a one-time general fund purpose.
  - The school district acknowledges that it will be ineligible for any SAB-administered program funding for at least five years after the transfer of funds into its general fund.
  - The school district acknowledges that the SAB will reduce any state funding received by the district by the amount of any remaining funds derived from the sale of the surplus property and any unencumbered interest earned on those funds.
3. A copy of the original site purpose agreement that delineates the original purchase price, the number of acres on the site, and the sources of funds used to purchase the site.
4. Documentation of the number of acres being sold from the site.

The school districts' request must be presented to the SAB for approval prior to the funds being transferred by the school district.

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<sup>9</sup> Office of Public School Construction website, December 19, 2024.

**Pursuant to Education Code Section 17463.7(g), the following information only applies to property where the transaction for the sale or lease of surplus property was initiated before June 30, 2024. Proceeds from as a result of that sale that are received after June 30, 2024 shall still be considered deposited for the purposes of the section.**

Education Code Section 17463.7 provides guidance for school districts to transfer surplus site sale proceeds into their general fund account. Prior to transferring site sale proceeds into their general fund account, school districts must submit the following documents to OPSC in order for their request to be processed:

1. A letter to the Executive Officer of the State Allocation Board and the OPSC requesting authorization, pursuant to EC Section 17463.7, from the Board to transfer site sale proceeds into the school district's general fund account for a one-time general fund purpose.
2. A school board resolution stating the following:
  - The school district has presented a plan to the local school board at a public meeting detailing the source and intended use of the surplus property proceeds and describing why the expenditure will not result in ongoing fiscal obligations for the district.
  - The school district certifies to the Board that:
    - The sale of the property does not violate the provisions of any local bond act.
    - The real property is not suitable to meet projected school construction needs for the next ten years.
  - The property sold was purchased entirely with nonstate funds.
  - The proceeds of the sale will be used for a one-time general fund purpose.
  - The school district acknowledges that the Board will reduce any state financial hardship funding received by the district equal to the amount of the sale of surplus real property used for a one-time expenditure.
3. A copy of the original site purchase agreement that delineates the original purchase price, the number of acres on the site, and the sources of funds used to purchase the site.
4. Documentation of the number of acres being sold from the site.

## Eide Bailly Prepared Multi-Year Projection Based on District Information Available November 25, 2024

|                              | 2023-24<br>Unaudited<br>Actuals | 2023-24<br>Unaudited<br>Actuals | 2023-24<br>Unaudited<br>Actuals | 2024-25<br>Adopted<br>Budget | 2024-25<br>Adopted<br>Budget | 2024-25<br>Adopted<br>Budget |
|------------------------------|---------------------------------|---------------------------------|---------------------------------|------------------------------|------------------------------|------------------------------|
|                              | Unrestricted                    | Restricted                      | Total                           | Unrestricted                 | Restricted                   | Total                        |
| LCFF                         | 141,064,340                     | -                               | 141,064,340                     | 135,676,666                  | -                            | 135,676,666                  |
| Federal Revenue              | -                               | 24,819,433                      | 24,819,433                      | -                            | 13,229,970                   | 13,229,970                   |
| State Revenue                | 4,048,975                       | 34,838,208                      | 38,887,182                      | 3,354,273                    | 34,769,803                   | 38,124,076                   |
| Local Revenue                | 10,307,488                      | 4,286,434                       | 14,593,922                      | 11,954,684                   | 1,451,678                    | 13,406,362                   |
| <b>Total Revenue</b>         | <b>155,420,804</b>              | <b>63,944,074</b>               | <b>219,364,878</b>              | <b>150,985,623</b>           | <b>49,451,451</b>            | <b>200,437,074</b>           |
|                              |                                 |                                 | -                               |                              |                              | -                            |
| Certificated Salaries        | 49,680,027                      | 15,567,442                      | 65,247,469                      | 47,189,771                   | 14,031,936                   | 61,221,707                   |
| Classified Salaries          | 20,593,043                      | 18,479,544                      | 39,072,587                      | 25,437,455                   | 11,940,271                   | 37,377,726                   |
| Benefits                     | 24,384,341                      | 18,988,840                      | 43,373,181                      | 32,640,941                   | 18,165,876                   | 50,806,817                   |
| Supplies                     | 3,209,675                       | 9,414,420                       | 12,624,096                      | 4,040,116                    | 7,546,988                    | 11,587,104                   |
| Services                     | 21,516,552                      | 40,496,677                      | 62,013,230                      | 20,456,599                   | 26,627,116                   | 47,083,715                   |
| CapOut                       | 2,421,981                       | 1,782,397                       | 4,204,378                       | 489,353                      | -                            | 489,353                      |
| Other Outgo                  | 23,430                          | -                               | 23,430                          | -                            | -                            | -                            |
| Indirect                     | (6,690,062)                     | 6,079,575                       | (610,487)                       | (4,782,354)                  | 3,930,028                    | (852,326)                    |
| <b>Expenses</b>              | <b>115,138,988</b>              | <b>110,808,896</b>              | <b>225,947,883</b>              | <b>125,471,881</b>           | <b>82,242,215</b>            | <b>207,714,096</b>           |
|                              |                                 |                                 | -                               |                              |                              | -                            |
| <b>Surplus Deficit</b>       | <b>40,281,816</b>               | <b>(46,864,821)</b>             | <b>(6,583,005)</b>              | <b>25,513,742</b>            | <b>(32,790,764)</b>          | <b>(7,277,022)</b>           |
|                              |                                 |                                 | -                               |                              |                              | -                            |
| Transfer In                  | 5,022,645                       | -                               | 5,022,645                       | 775,000                      | -                            | 775,000                      |
| Transfer out                 | 7,356,257                       | -                               | 7,356,257                       | -                            | -                            | -                            |
|                              |                                 |                                 | -                               |                              |                              | -                            |
| Contribution                 | (40,621,939)                    | 40,621,939                      | -                               | (31,675,041)                 | 31,675,041                   | -                            |
|                              |                                 |                                 | -                               |                              |                              | -                            |
| Other In / Out               | (42,955,552)                    | 40,621,939                      | (2,333,612)                     | (30,900,041)                 | 31,675,041                   | 775,000                      |
|                              |                                 |                                 | -                               |                              |                              | -                            |
| <b>Total Surplus/Deficit</b> | <b>(2,673,736)</b>              | <b>(6,242,882)</b>              | <b>(8,916,618)</b>              | <b>(5,386,299)</b>           | <b>(1,115,723)</b>           | <b>(6,502,022)</b>           |
|                              |                                 |                                 | -                               |                              |                              | -                            |
| 9791                         | 46,577,106                      | 39,002,199                      | 21,343,531                      | 34,713,115                   | 19,790,851                   | 50,144,290                   |
| 9793                         | 3,220,939                       | -                               | -                               | -                            | -                            | 103,506                      |
| 9795                         | -                               | -                               | -                               | -                            | -                            | -                            |
| <b>Ending Balance</b>        | <b>47,124,310</b>               | <b>32,759,318</b>               | <b>79,883,627</b>               | <b>29,326,816</b>            | <b>18,675,128</b>            | <b>48,001,944</b>            |

## Eide Bailly Prepared Multi-Year Projection Based on District Information Available November 25, 2024

|                       | 2024-25<br>Revised<br>Budget 11-25-<br>24 (almost FI)<br>Includes Audit<br>Report/EB<br>LCFF | 2024-25<br>Revised<br>Budget 11-25-<br>24 (almost FI)<br>Includes Audit<br>Report/EB<br>LCFF | 2024-25<br>Revised<br>Budget 11-25-<br>24 (almost FI)<br>Includes Audit<br>Report/EB<br>LCFF |                             |                           |                      |
|-----------------------|--|--|--|-----------------------------|---------------------------|----------------------|
|                       | Unrestricted   | Restricted   | Total  | 2025-26 MYP<br>Unrestricted | 2025-26 MYP<br>Restricted | 2025-26 MYP<br>Total |
| LCFF                  | 135,298,486  | -  | 135,298,486  | 132,953,914                 | -                         | 132,953,914          |
| Federal Revenue       | -  | 20,034,085   | 20,034,085   | -                           | 16,511,911                | 16,511,911           |
| State Revenue         | 3,378,561  | 36,540,143   | 39,918,704   | 3,378,561                   | 35,107,570                | 38,486,131           |
| Local Revenue         | 5,954,684  | 2,276,194  | 8,230,878  | 2,490,763                   | 2,276,194                 | 4,766,957            |
| Total Revenue         | 144,631,731  | 58,850,422   | 203,482,153  | 138,823,238                 | 53,895,675                | 192,718,913          |
|                       |  |  | -  |                             |                           | -                    |
| Certificated Salaries | 46,684,431   | 15,033,448   | 61,717,879   | 49,305,061                  | 13,647,176                | 62,952,237           |
| Classified Salaries   | 25,289,189   | 11,181,032   | 36,470,221   | 26,935,188                  | 9,785,940                 | 36,721,128           |
| Benefits              | 31,679,740   | 17,464,568   | 49,144,308   | 32,980,989                  | 16,294,470                | 49,275,459           |
| Supplies              | 9,687,020  | 10,220,322   | 19,907,342   | 9,687,020                   | 8,067,061                 | 17,754,081           |
| Services              | 26,877,105   | 43,626,332   | 70,503,437   | 28,411,706                  | 31,842,437                | 60,254,143           |
| CapOut                | 1,110,530  | 352,477  | 1,463,007  | 1,110,530                   | 22,000                    | 1,132,530            |
| Other Outgo           | 670,790  | -  | 670,790  | 9,913                       | -                         | 9,913                |
| Indirect              | (5,846,879)  | 4,911,847  | (935,032)  | (4,989,625)                 | 4,054,593                 | (935,032)            |
| Expenses              | 136,151,926  | 102,790,026  | 238,941,952  | 143,450,782                 | 83,713,678                | 227,164,459          |
|                       |  |  | -  |                             |                           | -                    |
| Surplus Deficit       | 8,479,805  | (43,939,604)   | (35,459,799)   | (4,627,544)                 | (29,818,003)              | (34,445,546)         |
|                       |  |  | -  |                             |                           | -                    |
| Transfer In           | 7,095,088  | -  | 7,095,088  | 7,095,088                   | -                         | 7,095,088            |
| Transfer out          | 6,320,088  | -  | 6,320,088  | 6,320,088                   | -                         | 6,320,088            |
|                       |  |  | -  |                             |                           | -                    |
| Contribution          | (31,326,489)   | 31,326,489   | -  | (31,713,881)                | 31,713,881                | -                    |
|                       |  |  | -  |                             |                           | -                    |
| Other In / Out        | (30,551,489)   | 31,326,489   | 775,000  | (30,938,881)                | 31,713,881                | 775,000              |
|                       |  |  | -  |                             |                           | -                    |
| Total Surplus/Deficit | (22,071,684)   | (12,613,115)   | (34,684,799)   | (35,566,425)                | 1,895,879                 | (33,670,546)         |
|                       |  |  | -  |                             |                           | -                    |
| 9791                  | 47,124,310   | 32,759,318   | 79,883,627   | 26,835,853                  | 20,146,203                | 46,982,055           |
| 9793                  | 1,783,227  | -  | 1,783,227  | -                           | -                         | -                    |
| 9795                  | -  | -  | -  | -                           | -                         | -                    |
| Ending Balance        | 26,835,853   | 20,146,203   | 46,982,055   | (8,730,572)                 | 22,042,081                | 13,311,509           |

## Eide Bailly Prepared Multi-Year Projection Based on District Information Available November 25, 2024

|                       | 2026-27 MYP  | 2026-27 MYP  | 2026-27 MYP  | 2027-28-MYP  | 2027-28-MYP  | 2027-28-MYP  |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                       | Unrestricted | Restricted   | Total        | Unrestricted | Restricted   | Total        |
| LCFF                  | 133,929,723  | -            | 133,929,723  | 134,938,008  | -            | 134,938,008  |
| Federal Revenue       | -            | 16,511,911   | 16,511,911   | -            | 16,511,911   | 16,511,911   |
| State Revenue         | 3,378,561    | 35,107,570   | 38,486,131   | 3,378,561    | 35,107,570   | 38,486,131   |
| Local Revenue         | 2,490,763    | 2,276,194    | 4,766,957    | 2,490,763    | 2,276,194    | 4,766,957    |
| Total Revenue         | 139,799,047  | 53,895,675   | 193,694,722  | 140,807,332  | 53,895,675   | 194,703,007  |
|                       |              |              | -            |              |              | -            |
| Certificated Salaries | 50,291,162   | 13,920,119   | 64,211,281   | 51,296,985   | 14,198,522   | 65,495,507   |
| Classified Salaries   | 27,204,540   | 9,883,800    | 37,088,339   | 27,476,585   | 9,982,638    | 37,459,223   |
| Benefits              | 33,089,807   | 16,334,005   | 49,423,812   | 33,419,526   | 16,453,797   | 49,873,323   |
| Supplies              | 9,687,020    | 8,055,018    | 17,742,038   | 9,687,020    | 8,055,018    | 17,742,038   |
| Services              | 28,411,706   | 31,842,437   | 60,254,143   | 28,411,706   | 31,842,437   | 60,254,143   |
| CapOut                | 1,110,530    | 22,000       | 1,132,530    | 1,110,530    | 22,000       | 1,132,530    |
| Other Outgo           | 9,913        | -            | 9,913        | 9,913        | -            | 9,913        |
| Indirect              | (4,989,625)  | 4,054,593    | (935,032)    | (4,989,625)  | 4,054,593    | (935,032)    |
| Expenses              | 144,815,053  | 84,111,972   | 228,927,025  | 146,422,640  | 84,609,005   | 231,031,645  |
|                       |              |              | -            |              |              | -            |
| Surplus Deficit       | (5,016,006)  | (30,216,297) | (35,232,303) | (5,615,308)  | (30,713,330) | (36,328,638) |
|                       |              |              | -            |              |              | -            |
| Transfer In           | 7,095,088    | -            | 7,095,088    | 7,095,088    | -            | 7,095,088    |
| Transfer out          | 6,320,088    | -            | 6,320,088    | 6,320,088    | -            | 6,320,088    |
|                       |              |              | -            |              |              | -            |
| Contribution          | (32,074,571) | 32,074,571   | -            | (32,571,604) | 32,571,604   | -            |
|                       |              |              | -            |              |              | -            |
| Other In / Out        | (31,299,571) | 32,074,571   | 775,000      | (31,796,604) | 32,571,604   | 775,000      |
|                       |              |              | -            |              |              | -            |
| Total Surplus/Deficit | (36,315,577) | 1,858,274    | (34,457,303) | (37,411,912) | 1,858,274    | (35,553,638) |
|                       |              |              | -            |              |              | -            |
| 9791                  | (8,730,572)  | 22,042,081   | 13,311,509   | (45,046,149) | 23,900,355   | (21,145,794) |
| 9793                  |              | -            | -            |              | -            | -            |
| 9795                  | -            | -            | -            | -            | -            | -            |
| Ending Balance        | (45,046,149) | 23,900,355   | (21,145,794) | (82,458,061) | 25,758,629   | (56,699,431) |

## Appendix C - Recommendation and Request for VCUSD to Exit Receivership



**Lisette Estrella-Henderson, Superintendent of Schools**  
 5100 Business Center Drive, Fairfield, CA 94534-1658  
 707.399.4400 ★ [www.solanocoe.net](http://www.solanocoe.net)

April 24, 2025

Honorable Tony Thurmond, Superintendent of Public Instruction  
 Dr. Linda Darling Hammond, President, State Board of Education

**Subject: Recommendation and Request for Concurrence for Vallejo City Unified School District to Exit State Receivership  
 (Ed. Code 41320.1(a)(3) and (4))**

Dear Superintendent Thurmond and President Dr. Darling-Hammond,

By June 30, 2025, we expect that the Vallejo City Unified School District will have made sufficient progress toward having adequate fiscal systems and controls in place such that the school district's future compliance with their fiscal plan is probable.

In accordance with Education Code (EC) Section 41320.1(a)(3) and (4), I am writing to formally recommend that the Vallejo City Unified School District (VCUSD) be approved to exit state receivership and to request your concurrence with our intent to provide 60 days notice to the Legislature, the Department of Finance, and The State Controller on May 1, 2025 that these conditions are met.

In alignment with the elements set forth in EC Section 41320.1, and in recognition of the VCUSD's progress and demonstrated fiscal capacity, this letter also serves as formal notice of the intent to terminate the trustee effective July 1, 2025. This transition marks a significant step toward full local control and reflects a deliberate and evidence-based determination of VCUSD's readiness to independently manage its fiscal responsibilities.

This recommendation reflects several years of close collaboration, continuous monitoring, and measurable progress by VCUSD leadership and the Solano County Office of Education (SCOE) to restore fiscal health and responsible governance.

In August 2024, VCUSD successfully repaid its state emergency loan, a significant milestone in its fiscal recovery. In compliance with the Education Code, VCUSD engaged an independent auditor to assess its fiscal systems prior to loan repayment. The audit identified several areas requiring improvement. I subsequently requested a post audit to assess VCUSD's responsiveness and overall readiness for sustained fiscal independence. VCUSD has since made measurable progress through leadership stabilization, systems improvements, and comprehensive fiscal reforms.

A key priority has been to right-size its operations in response to declining enrollment. Most recently, the VCUSD Board of Education has approved the closure of two schools starting in 2025-26, as well as \$12.8M in budget reductions, which includes \$7.4M in staffing cuts and \$5.4M in non-staff related expenses. The staffing reductions reflect the elimination of 126.9 full-time equivalent positions.

These difficult decisions reflect a deliberate and strategic approach to aligning expenditures with revenue, and a willingness to take the necessary steps to protect the long-term viability of educational services for students. VCUSD is continuing conversations with educational partners about the potential for additional school closures in 2026-27. Toward this end, VCUSD Board of Education has already opened discussions on Phase 2 of the District's school closure and consolidation plan. Phase 2 underscores the district's pledge to provide high-quality instruction while strengthening its fiscal position amid declining enrollment and fewer resources.

In addition to making meaningful progress toward right-sizing, VCUSD has also demonstrated notable improvements in core areas of fiscal and governance. Since entering receivership, VCUSD has made significant and sustained strides in meeting the milestones outlined in their recovery plan. With the support of the trustee pursuant to the authority provided to the Superintendent by EC Sections 41320.1(a), 41321, and 41322, and in partnership with VCUSD staff, the school board, and community partners, VCUSD has stabilized its budget, implemented robust internal controls, and restored responsible financial management practices. Beyond fiscal recovery, the district has shown consistent improvement in the following specific areas:

1. **Alignment of LCAP and Budget:** Substantial progress has been made in aligning the Local Control Accountability Plan (LCAP) expenditures with the Adopted Budget. This has been achieved through ongoing coordination of the VCUSD's internal teams. Regular joint meetings involving Educational Services, Business Services and Cabinet have streamlined the communication and reporting to SCOE as part of the monthly oversight meetings. This collaborative approach has optimized the use of these resources and increased the spending of supplemental and concentration grant carryover, ensuring that these critical resources are directed toward student programs and services.

2. **Internal Controls and Operational Improvements:** VCUSD has strengthened its internal controls by improving key financial and operational areas, including timely account reconciliations, payroll auditing, and Local Control Funding Formula (LCFF) calculations and reviews. These improvements have been achieved through a series of targeted strategies, such as mapping existing processes, segregating duties where appropriate, standardizing policies and procedures, enhancing approval workflows, establishing reconciliation calendars, and conducting frequent audits of high-risk areas. Additionally, VCUSD has prioritized and provided ongoing staff training.
3. **System Security and Workflow Optimization:** The security of transactions and proper segregation of duties have been strengthened through the review and updating of internal procedures and the reassignment of responsibilities within Business Services. This includes the elimination of duplicate vendors and the deactivation of inactive user accounts within the financial system. These efforts are supported by annual procedure reviews and regularly scheduled staff training to ensure ongoing compliance and system integrity.
4. **Audit Finding Improvements and Preventative Monitoring:** The implementation of internal audit calendars to proactively monitor compliance in key areas such as attendance, special education, LCAP, and restricted funding has significantly reduced the number of audit findings received by VCUSD. In addition, ongoing staff training and prompt responses to audit corrections have not only strengthened VCUSD's financial position but have also helped preserve its credibility with the community, governing board, and partner agencies.
5. **Position Control Management:** A cross-departmental team has been established to develop and implement a position approval workflow system that will reconcile existing position data with the current budget. The VCUSD team is actively working on defining and documenting position control standards to ensure consistency and alignment across departments. Ongoing training is provided to staff in Business Services, Human Resources, and site/department leadership, focusing on how to monitor, maintain, and support alignment between position control and the district's budget.
6. **Addressing Attendance and Enrollment:** VCUSD has launched initiatives aimed at reducing chronic absenteeism, stabilizing enrollment, and improving attendance rates. To improve Average Daily Attendance (ADA) and ensure accurate LCFF funding, the district has enhanced data collection procedures, trained staff in enrollment and attendance accounting, and implemented new review protocols to validate attendance records. These efforts are expected to strengthen both fiscal outcomes and student engagement.

The recent fiscal systems follow-up audit conducted confirms that VCUSD has met the majority of performance metrics required for VCUSD to return to fiscal solvency. Moreover, the community's renewed trust and active involvement signals a district that is ready to move forward with a restored sense of purpose and accountability. In addition, the VCUSD Board of Education, in its fiduciary role, has demonstrated sound judgment and strong commitment to accountability. Most notably, the Board is committed to systemic improvement, transparency, and collaborative leadership. VCUSD has prioritized sustainable change, especially in the areas of fiscal systems monitoring and accountability, facilities, enrollment, and attendance. These efforts have laid the groundwork for continued progress and sustainable change across VCUSD.

SCOE has maintained a positive and collaborative working relationship with VCUSD throughout this process and remains deeply committed to supporting VCUSD on an ongoing basis beyond the trustee's term. Beyond exiting state receivership status, the VCUSD Superintendent has agreed that our respective fiscal teams including the VCUSD Superintendent, the Assistant Superintendent, and other key team members will continue to meet monthly with the additional weekly tracking of key fiscal indicators.

Throughout this process, the Fiscal Crisis Management Team's (FCMAT) support and partnership have been vital. We have worked in close coordination together to ensure VCUSD is positioned for long term sustainable fiscal health and educational excellence.

I respectfully submit this recommendation for your consideration and concurrence and welcome any questions you may have. Achieving concurrence in this matter by April 30, 2025, will support Vallejo City Unified School District's efforts as they continue to move forward in a positive direction.

Thank you for your consideration and your steadfast commitment to fiscal responsibility and educational equity across California.

Respectfully and in partnership,



Lisette Estrella-Henderson  
Solano County Superintendent of Schools

Attachments (3):  
Eide Bailly Fiscal Systems Audit Reports (Pre-Post)  
District's Financial Plan

- - -

CC:

CDE

David Schapira, Chief Deputy Superintendent of Public Instruction, Chief of Staff  
Abel Guillen, Deputy Superintendent, Operations and Administration  
Elizabeth Dearstyne, School Fiscal Services Division Director

SBE

Brooks Allen, Executive Director  
Katie Hardeman, Chief Deputy Director  
Lisa Constancio, Senior Executive Director  
Kirin Gill, Chief Counsel

Fiscal Crisis Management Team

Michael Fine, Chief Executive Officer

VCUSD

Ruben Aurelio, Superintendent  
Ruben Fernandez, Assistant Superintendent Business Services and Operations

SCOE

Michelle Henson, Deputy Superintendent, Administrative Services and Operations  
Diana Lopez, Director District Business Services  
Mel Izuka, County Office of Education Trustee



Draft presented: July 31, 2023  
Final release: November 1, 2023

President of Governing Board  
Vallejo City Unified School District  
665 Walnut Ave.  
Vallejo, CA 94592-1177

As contracted November 16, 2022, our firm performed a non-attest function in compliance with Education Code 41320.1(a)(4) for the purpose of determining the strength of the fiscal systems of the Vallejo City Unified School District. This report is presented to satisfy this requirement.

We were not engaged to, and did not, perform a financial audit, the objective of which would be to express an opinion on the district's specified records, accounts, or items. Accordingly, our firm does not express such an opinion. Had our firm performed additional procedures, other matters may have come to our attention. These matters would have been reported to you.

However, our firm did perform certain procedures that resulted in internal control findings for the fiscal system. These findings are included in the following report.

This report is intended solely for use by the district and should not be used by anyone who has not agreed to the procedures and assumed responsibility for the sufficiency of the procedures for their purposes.

Respectfully,

A handwritten signature in blue ink, appearing to read "Caroline A. Larson".

Caroline A. Larson, CPA  
Partner

**Background: District overview**

The Vallejo City Unified School District, established in 1855,<sup>1</sup> is a political subdivision of the State of California (the “State”) located in Solano County. Encompassing approximately 52 square miles, the district serves a population residing primarily in the City of Vallejo.<sup>2</sup> The district provides education to approximately 9,900 students in transitional kindergarten through twelfth grade, as well as students in preschool programs, adult education, and a dependent charter school. The district operates fourteen elementary schools, one middle school, two comprehensive high schools, a continuation school, an adult education school, and a charter elementary school.<sup>3</sup> The district sponsors a total of six charters, including 1) Vallejo Charter School, reported in fund 09 of the district financials and included with the districts external audit report, 2) Caliber: Change Makers Academy, 3) Mare Island Technology Academy, 4) MIT Academy, 5) MIT Griffin Academy Middle and 6) Griffin Academy High. A five-member elected Board of Education governs the district.

**Background: First Decade of State Control**

According to journalist accounts available on the internet from local news agencies in 2004,<sup>4</sup> the Vallejo City Unified School District “grossly overstated enrollment figures, underestimated salary estimates, and approved union contracts they could not afford,” sending it into fiscal distress that could only be abated by an external intervention, commonly known at the time as a “State Takeover.”

For those who have a memory that expands beyond the news reports of the time, the reasons noted were: 1) the District was not using the Solano County Office of Education financial software and the SCOE could not adequately monitor the financial activity, 2) the District was using an unproven student information system software that lost accountability for student attendance and enrollment, 3) the district did not follow an approval process for expenditures that prevented self-interested purchasing, and 4) a general lack of higher purpose to serve the needs of the students (i.e., placing the needs of self-interested adults before pupils).

From 1991 to 2004, six other districts were taken over by the State; VCUSD became the seventh. Four districts, Vallejo City, Richmond (West Contra Costa), Emeryville and Oakland, were bay area districts. Declining enrollment, unexpected reductions at the State, and student bodies with high-cost needs are some of the characteristics shared by these local educational agencies (LEAs). Only two State loans have been issued since 2004 and none after 2012.

In response to the districts inability to meet its obligations, Senate Bill 1190 (Chapter 53, Statutes of 2004) authorized an emergency state loan of \$60 million to the Vallejo City Unified School District; the appointment of a state administrator to govern the district; a comprehensive assessment and the development of an improvement plan in the operational areas of Community Relations/Governance, Personnel, Pupil Achievement, Finance and Facilities; and three six-month progress reports monitoring the progress of the district in implementing the recommendations in the improvement plan. The 2006 State Budget Act authorized FCMAT to continue using funds to produce subsequent reports. When FCMAT funds expired, the district contracted for more reports. The eighth and final report was issued

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<sup>1</sup> General Obligation Bonds Official Statement, Election of 2018, series 2023, March 24, 2023

<sup>2</sup> See this report’s appendix, exhibit one

<sup>3</sup> See this report’s appendix, exhibit two

<sup>4</sup> Sturrock, Carrie. “How Vallejo City Got Itself \$60 million in the Red.” San Francisco Chronicle, June 28, 2004

by FCMAT on June 30, 2012. At the time of the takeover, Vallejo City's loan was the second largest, only to Oakland Unified School District, in size.

FCMAT evaluated the district from 2004 through 2023 on 415 professional and legal standards. Each standard was evaluated on a scale of 0 (not implemented) to 10 (fully implemented and sustained) as to the degree of implementation. Not every standard was evaluated in every report and for those standards assessed in the final report, the marks ranged from 4 to 8, with an average rating of 6.

District operations were restored to the local control of the Vallejo City Unified School District Governing Board on an incremental basis over time. In July 2007, the Superintendent of Public Instruction restored the board's rights, duties, and obligations for the areas of Community Relations/Governance, Personnel Management, and Pupil Achievement. The SPI returned the operational area of Facilities Management per the recommendation of the Sixth Progress Report, issued June 30, 2008. Both the Seventh and this Eighth Progress Reports focused on financial management, the only remaining operational area under state control, eight years after the initial loan. The financial management area was recommended for return to local governance as of 2012.<sup>5</sup>

### **Background: Understanding Districts in Fiscal Distress**

Since inception in 1983 of our firm's public school consulting practice, our group has been involved with clients at various stages of fiscal distress. Our team has been one of many entities that help school districts with implementing best practice, separate and apart from our external audit function.

Our team of Certified Public Accountants works throughout the State with clients to avoid State apportionment loans, to navigate a process after receipt of apportionment loans, and has participated in writing a report such as this one for West Contra Costa Unified School District and Emeryville School District when they exited the process in 2011.

We view LEAs from a unique, independent perspective, finding the common ground between over 200 California Public Schools observed and enjoying the differences that make each unique. The team compiling this report has over 25 years in the industry with a multitude of entities, including charter schools, county offices of education, Special Education Local Plan Areas (SELPA's), Joint Power Authorities (JPA's), non-profits and community colleges.

Our objective is to list the most compelling risk factors such that Vallejo City Unified School District may quickly recognize the risks themselves, identify what the district is doing correctly and the areas for improvement in a priority order.

To remain vital and relevant, every organization should be in a perpetual mode of continuous learning and growing. However, having too many goals and objectives can be overwhelming. By narrowing the focus to the critical and essential, we hope this report can be a guide for many years to come.

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<sup>5</sup> Fiscal Crisis Management and Assistance Team, Vallejo City Unified School District Eighth Progress Report," June 30, 2012

## **Identifying and lowering the risk of fiscal distress requiring a State Apportionment Loan**

Districts lower the risk for jeopardizing tax dollars and/or local control when the following best practices exist. The following are a list of the highest priority items. All other recommendations are a subset of these broad categories.

### **Eide Bailly Developed Framework for Mitigating Extreme Financial Risk**

- Actions of Board members, administration and / or employees are absent of self-interest and / or criminal intent
- Actions of vendors are absent of self-interest and / or criminal intent
- District uses the County Treasury for banking services
- District uses the County Office of Education financial services software to report financial information for actuals, budget, and encumbrances
- District uses all the available modules within the County Office of Education financial information system for position control, payroll, retirement and tax reporting, cash collections, fixed assets, and vendor payments
- District televises Governing Board meetings, conforms to the requirements of the law as it pertains to open meetings, and posts minutes and recordings within two weeks of the live event
- District offers a Board agenda that increases community understanding of issues by writing narratives that describe the compliance being addressed and how the district is conforming to the requirement which includes the financial, educational, and administrative impact
- District uses reputable, sustainable software vendors for student information systems
- District does not issue non-voter approved debt such as Bond Anticipation Notes (BANs), Certificates of Participation (COPs) and capital leases
- District does not provide life-time health benefits to retired personnel
- District evaluates the financial impact of all passages of its collective bargaining contracts and continuously reviews and updates to cost contain the agreements during the bargaining process

### **Eide Bailly Developed Framework for Mitigating Elevated Financial Risk**

- District offers an educational and co-curricular program that is recognized by the community, demonstrated by student enrollment and attendance metrics, that outpace and/or eliminate competition from charters and private schools
- District offers a safe environment, as recognized by the community, to be free of violence and/or threats, and / or has a qualified response team to address natural and preventable disasters to minimize harm
- District offers a physical environment, as recognized by the community, that is welcoming, ergonomically correct, and free of toxins
- District easily attracts and retains talent at all levels of the organization, including the Governing Board, administration, and staff
- District administration has clearly communicated a vision and mission to which all employees understand and can express, which is reflected in the district's policies, procedures, and educational, administrative, & financial activities.
- Human resources, education and business administration understand and implement the law, compliance, and best practice of their field, competently supervising their staff, and integrating their

disciplines from the executive level through the entire organization, as measured by accountability metrics, audits, and community satisfaction.

### Summary of current conditions

As of the first half of calendar year 2023, when this assessment was conducted, Vallejo City Unified School District demonstrates reasonable competency in mitigating the extreme risks of solvency, apart from its retiree benefit policy. However, it is this team's assessment that the district continues to be challenged to mitigate elevated risk.

- The organization does not share a collective memory for the events that created the need for a State Loan. For those who have a memory that expands beyond the news reports of the time, the reasons noted were: 1) the District was not using the Solano County Office of Education financial software and the SCOE could not adequately monitor the financial activity, 2) the District was using an unproven student information system software that lost accountability for student attendance and enrollment, 3) the district did not follow an approval process for expenditures that prevented self-interested purchasing, and 4) a general lack of higher purpose to serve the needs of the students (i.e., placing the needs of self-interested adults before pupils). Districts that exit the State Loan process that learn and recover from the process, have a strong memory for the events leading up to the Loan and embrace a mantra of “never again.”
- The district cannot collectively, readily point to specific policies and procedures that have been put in place in recent memory that are designed to protect against another State Loan. Those who could identify strong practices referred to the first State Trustee assigned to the district and recognized that 1) restoring the financial system to the Solano County Office of Education system, 2) engaging a reputable student information system vendor and 3) having strong leadership (the State Trustee at the time) put the students and fiscal solvency before convenience and personal gain, were the three key elements to restoring confidence in the district.
- The number one barrier noted by almost all staff interviewed, to creating systemic, consistent, positive change, is the history of short-termed Superintendents. No one could name the names of the previous Superintendents or their initiatives, other than the immediate predecessor to the current Superintendent. Most staff interviewed observed that Vallejo City USD appears to be a “stepping-stone” for Superintendents. This observation resulted in a feeling that most previous Superintendents were self-interested, not committed to the community, or may have changed the positive momentum gained after the original State Trustee ended his term. Staff desire the current Superintendent to commit to the district to a term sufficient to implement systemic, sustainable change in education, human resources, and business.
- The second barrier to gaining momentum for positive change is the appearance or the actual condition whereby the district is considered inferior educationally to its neighboring districts. For example, according to the *US News and World Report* website accessed in July 2023, the Vallejo City High School ranks 14 of 15 in metro area high schools with a graduation rate of 73% and reading, math and science proficiency statistics of 25%, 12% and 8%, respectively. Jesse Bethel High School ranks 13 of 15, with a graduation rate of 87% and reading, math and science proficiency statistics of 34%, 12% and 11%, respectively. The educational program reputation is most frequently cited as a reason for Vallejo City USD enrollment declining from approximately 20,000 students in 2004 to 9,916 in 2022.

- The third barrier to becoming a destination district is the appearance or actual condition of physical safety of staff and students. Crime statistics are subject to suspicion in how they are tallied and reported; physical safety can be real or imagined. Regardless, the district is concerned about the ability of peace officers to adequately discharge their duties in an understaffed and underfunded environment. Again, the appearance and / or real safety conditions do affect parent choices for enrolling their children in public schools, thereby impacting student enrollment, staff recruitment and morale.
- When FCMAT reported on the districts condition over a decade ago, the last department to exit oversight was the financial management department of the district. The financial management of accounting and budgeting activities continues to be a concern. The district places an over-reliance on the Director of Fiscal Accountability, to monitor the condition of the district when the responsibility must be shared throughout the entire organization to articulate and participate. The governing board appears to have a reasonable understanding of the basic questions that should be asked and answered, administration can benefit from the commonsense approach offered.
- The 2022-23 year represented the first year after many, of the district reducing its reliance on accounting and budget consultants. Unfortunately, neither the consultants nor the employees adequately perform the higher-level accounting tasks required to reconcile accounts. The audit repeated the finding for three years; this assessment has quantified the problem in a more detailed way to expose the issue and the risks posed to the finances.
- The business department contracts with vendors to assist with charter and construction project accounting oversight, and temporary accounting staffing to fill the void of turnover of foundational, technical jobs. Most concerning to this assessment process is the ability of the vendors to articulate the districts issues with more insight than the district themselves. Although many vendors are reliable and trustworthy and may demonstrate more technical competence than employees, a change in vendors that lack these qualities could easily return the district to its condition of 20 years ago.
- The district could limit risk exposure by reducing retiree benefits to discontinue at age 65. Per the district's actuarial report, the district currently reports 1,359 active employees as of June 2021, of which 763 are enrolled in the medical program, while 596 waived coverage. An almost equal number of retirees are enrolled in the medical program, 730 retirees and 23 surviving spouses, of which 713 are over the age of 60, and 128 over the age of 80. The certificated bargaining unit contract offers 5 years of coverage or up to age 67, whichever occurs first. However, the classified contract offers no such cap, allowing for district-funded life-time benefits. The district pays this obligation on a pay-as-you-go basis, paying the current year obligations without annually allocating dollars to a trust fund to pay for future benefits. The future obligation increases at rate of \$4 million to \$5 million per year, totaling \$84 million as of June 30, 2022. The district does not have a trust fund created for retiree benefits but has set-aside funds in a separate governmental fund. As of July 20, 2023, the cash set-aside approximated \$6 million.<sup>6</sup>

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<sup>6</sup> See this report's appendix, exhibit three

## Specific Vallejo Unified School District Activities that Elevate Financial Risk

### Balance sheet review

The district must reconcile approximately 280 district balance sheet accounts, assets, and liabilities, which summarize the items the district owns and owes to source documents that include payroll and vendor payments. The net effect of recording these transactions determines the worth of the district, otherwise known as the fund balance of the district. These accounts comprise over 42,000 transactions in the fiscal year 2022-23, alone.

The disposition of these accounts determines whether the district closes the books correctly and reports the Unaudited Actuals accurately from an operational perspective. Our assessment does not set materiality limits; any item that is not owed or owned is to be accounted in its most accurate place per generally accepted accounting principles (GAAP).

The district did not interact and respond to eleven initial questions regarding these accounts that would, at a minimum, acknowledge the gravity of the issues brought forward. The district did not address this persistent audit finding that appeared in the last three audits: findings 2022-001, 2021-002, and 2020-001.

The audit team addresses this issue in a slightly different manner. The audit team uses materiality thresholds and sampling methods to determine whether the financial statements are materially presented correctly. The audit team does not reorganize the general ledger to the extent that the consulting team does; the audit team does not have the same resources to devote to the effort. Nor is it the role of the audit to do so; it is management's role to account for its transactions per GAAP.

Our consulting team delved into the details, determining that over 70 accounts, apart from overall cash in the treasury, are requiring adjustment. Some accounts are within one hundred dollars; however, many are several hundreds of thousands of dollars, and at least four accounts are in the millions, reporting different amounts than a GAAP presentation that reconciles to source documents.

In other words, some accounts increase / decrease the value of assets owned and some increase / decrease the value of liabilities owed. Examples of some of the accounts requiring the largest adjustment relate to the employer responsibility for payroll / health and welfare benefits and vendor payments.

Some of the accounts have not been reconciled completely for many years. However, our process does not require explaining or investigating every item for every year. The Eide Bailly consulting process can conclude moderately quickly by assessing what is owned and what is owed as of present day but would require the district to validate the findings with source materials. However, we cannot quantify the net effect until each item is resolved due to some items adding several millions of dollars to increase the fund balance and several items decreasing fund balance by opposing amounts. The district engaging in this conversation is also essential. This level of Eide Bailly support is beyond the scope of this assessment and the external audit because it involves reperforming district tasks that should be addressed by the district.

In the future, the district will need to assign a person or persons to perform these reconciliations monthly. Clearly, the district does not have the understanding or capacity to do this type of

reconciliation nor have the consultants previously hired as this issue has persisted for a minimum of 3 of the last audited years, and persists into the current year, 2022-23.

### **Student Enrollment**

Student enrollment measures public satisfaction with the educational program and the safety, security, and physical housing of its students. The current public-school mandate does not ensure vitality for public schools. Public schools must demonstrate competence vis-a-vis competitors such as home schooling, charter schools, and private schools to attract and retain *all* students. A mix of students is needed not only for diversity, inclusion, access, and equity, but also to provide an economic mix of cost per student served. Alternatively said, public schools must serve more than the mandated and / or high-cost populations. Current school funding is insufficient for such a model.

A minimum number and subject matter experts are required to operate a district and each individual site. When a district continues to constrict its student enrollment, it fails to leverage the fixed costs of site and district-wide activities. Continuous reduction without investment and improvement is not a sustainable model.

Each district needs to understand its own community, trends, socioeconomics, emigration, and immigration, supported by data, to be able to implement programs to address such.

- Vallejo City Unified School District has lost 3,825 students, from 13,741 in 2013-14 to 9,916 in 2022-23, or 28% of its enrollment. This loss equates to the enrollment of 7 elementary schools or 2 high schools or 5 middle schools worth of students over the past decade. A balance must be achieved between adding programs to attract students and shedding programs that do not align with this goal.<sup>7</sup>
- It appears the district receives enrollment projections directly from a demographer. A demographer is but one way to begin to understand a districts enrollment trends. The district must engage to understand the demographer's assumptions and formulas used to project from one year to the next. Demography reports are a tool to validate local assumptions. However, it is the responsibility of the district to determine whether these figures have been closely predictive to actual outcomes in the past. It is rare they can be a sole source used to inform projections.
- The district did not provide documentation with historical data to compare how students promoted from one grade to the next and how the incoming classes of TK/K compared to the outgoing graduating classes. The data should be expanded to include enrollment by demographic, school site and grade level.
- The data provided by the district does not easily lend itself to analysis. It is not a commentary on the demographer, but the way the district is utilizing the information provided. Our firm reorganized the projected data by grade and year and added the historical data available from the California Department of Education and recommends the district perform their own internal checks of a vendor's data.

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<sup>7</sup> See this report's appendix, exhibit four and five

- The district is unable to readily explain the unique reasons for its loss of student enrollment with data analyzed from source documents. The lack of a detailed response to this assessor, as well as to questions directed to administration by the Board at the June 21, 2023, suggests that the district needs to develop a tracking system to determine the reason for all exiting students and then implement a program to address the specific needs. Although anecdotal evidence such as the social norms of postponing starting a family to later years, lower birth rates, emigration from cities to rural areas, departure of families from California to other states, and the 30-year charter movement, affect all California public schools, it is incumbent upon each district to know and tell its own story by neighborhood, demographic, school site and grade level. The district needs to implement a program to attract and retain students; otherwise, a perpetual cycle of loss persists.

### **Student Attendance**

California school districts are funded on student attendance but must base all costs, including staffing, on student enrollment. The funding model encourages districts to hover the attendance rate as close to 95% of enrollment to achieve the maximum revenue. A state-wide study, pre-pandemic, determined the average student illness rate is about 5% of enrollment, hence the 95% is deemed achievable. In general, elementary students achieve higher than 95%, with high school students achieving slightly lower. Pre-2020, special education students achieved close to 100% attendance.

Student attendance can be correlated to teacher attendance. Teacher attendance can be correlated to site principal competence and staff engagement. None of these factors are dependent upon socioeconomic issues or financial investment. In other words, when adults care, students follow.

By creating a culture of caring at the principal, teacher and site secretary level, most districts can resolve 90% of the attendance issues. For the remaining 10%, a natural absence rate of 5% is explainable. The remaining 5% is the time-consuming, effort-based process that includes a coordinated effort by site administration, counselors, mental health professionals, resource officers and child, welfare & attendance professionals.

Every district must study the correlation between staff and student attendance and take corrective action at the adult level first. Next, the district must determine which sites and grade levels need the most intervention and why. The conversation must be data-driven and a *daily* focus from the Executive Cabinet to the site level contact with students.

Foundational attendance improvement strategies include holding every teacher accountable for taking attendance within the period taught. The site secretary is not the supervisor of the teacher; when a secretary intervention is insufficient, then administration must intervene.

It is unclear how the district is addressing the student attendance decline that was slowly degrading pre-2020 and has taken a precipitous drop post-2020.

- The district overall attendance rate declined over two percentage points from 93.43% in 2013-14 to averaging approximately 91% in 2017-18 through 2019-20, pre-pandemic. For the past two years, 2021-22 and 2022-23, the district lost an additional 10% of its student attendance. This twelve percent loss, using 2022-23 enrollment figures would equate to 1,190 students. Should the district

restore attendance to 2013-14 levels of 93%, the resulting revenue, at approximately \$15,000 per student, would be almost \$18 million of new revenue without incurring cost.<sup>8</sup>

- The district is required to report the charter shift<sup>9</sup> to the California Department of Education 2022-23 at P2 and Annual. By reporting at P2, the district is not only informing the CDE, but validating its own budget assumptions. The district did not report on the 2022-23 P2 cycle as required.
  - The district did budget a loss of 125 ADA in its LCFF calculator for Estimated Actuals 2022-23 and onward. The last audited figure was 471 students in 2019-20. The district did not provide the 2022-23 annual report of attendance to enable our firm to validate the budget assumptions to the source document.
- The loss of students to district approved charters accounts for approximately \$5.1 million<sup>10</sup> of revenue (last audited figure from 2019-20). This annual loss could be recovered with no cost to the district when the district becomes a growth district and not a district in attendance decline. The charter shift loss calculation harms declining attendance districts, or districts whereby the growth does not offset the loss to the charters; it does not harm growth districts.

### **Audit Process and Adjustments**

A timely audit is essential to validating district compliance on a multitude of programs and that the financial statements are fairly presented. The inability to perform the tasks and respond to an external audit completely and timely is a universal signal of concern to outside entities that evaluate the district's financial condition. Incorporating audit adjustments and the results of findings into a district's financial statement is a requirement and is part of the County Office Certification of Corrective Action adopted by the Board [E.C. 41020(j)(2)].

- The district requested an extension of its external audit process for the year ending June 30, 2022. The district also availed itself of the State Controller's Office extension for the years ending June 30, 2020, and June 30, 2021.
- The district received its external audit report February 15, 2023. 2021-22 audit adjustments were not completely posted to the beginning balance as of 2021-22 Estimated Actuals. Audit adjustments should have been reported in both the Second Interim 2022-23 and Estimated Actuals 2022-23 cycles.

### **Standardized Account Code Structure data (SACS DAT) file**

The California Department of Education (CDE) develops cloud-based software that is required to be accessed by every California district to format their district general ledger and budget information so that it can be reported in a uniform way to district Governing Boards. The data file that is downloaded from the district financial system and uploaded into the CDE software is called the SACS DAT file.

<sup>8</sup> See this report's appendix, exhibit six, seven and eight.

<sup>9</sup> The charter shift refers to the student ADA that left the district for a district-sponsored charter and / or that returned to the district from a district-sponsored charter. The tracking of this data prevents the state from paying the ADA to both the district and the district – sponsored charter.

<sup>10</sup> 471 students multiplied by the average LCFF funding per student in 2019-20 of \$10,919.

- The expectation is that the SACS DAT file (data file) is to reconcile exactly to the budgets in the Escape financial system. Tampering or manually modifying the file loses the integrity of the data reported. The following files were modified.

|                         | First Interim<br>2022-23 | Second Interim<br>2022-23 | Estimated<br>Actuals<br>2022-23 | Budget<br>Adoption<br>2023-24 |
|-------------------------|--------------------------|---------------------------|---------------------------------|-------------------------------|
| Total lines in file     | 2,249                    | 2,473                     | 2,710                           | 2,018                         |
| Number of lines altered | 195                      | 188                       | 171                             | 99                            |

- The ending balances by fund and resource from the prior year Unaudited Actuals must match the financial system (Escape) beginning balances by fund and resource in object code 9791 in the new year, upon or after the date of district closing the prior year. Any subsequent audit adjustments must be posted to the financial system (Escape) in 9793 object code upon receipt of the audit report. The 9791 and 9793 object codes must align in the financial system and the SACS software for all reporting periods. Discrepancies demonstrate lack of care of streaming the data, either through manual adjustment or lack of reconciliation. Not aligning beginning balances to the prior year Unaudited Actuals and audit report fails to express the districts audited financial position and results in difficulty closing the subsequent year in SACS at a minimum and could result in poor financial management decision-making based on incorrect reporting.

|                           | Unaudited Actuals<br>SACS DAT file 2021-22 | Beginning Balances in<br>Escape System as of<br>June 2023 | Difference   |
|---------------------------|--|---|--------------|
| Fund 01, Resource<br>5640 | 165,087.82                                 | 0   | 165,087.82   |
| Fund 01, Resource<br>7028 | 344,618.16                                 | 297,739.00  | 46,879.16    |
| Fund 01, Resource<br>7029 |  | 46,879.00   | (46,879.00)  |
| Fund 01, Resource<br>9010 | 853,028.82                                 | 1,018,838.00  | (165,809.18) |

- The district did not post audit adjustments for fair market value or the charter school apportionment payable in the 2022-23 general ledger. The district should post audit adjustments completely upon receipt of the external audit report.
- The district needs to research and clear all budgeted and actuals technical review checks (TRC’s) before submitting documents to the Board for approval and the COE for review. Clearing all TRC’s does not ensure the financial statements are 100% correct because the TRC’s are limited in the types of items that can be audited through automation. However, by not researching all items, whether a warning or informational items, the district is not completing its due diligence and addressing the items that would improve the financial statement accuracy and presentation. Examples for the Estimated Actuals and Budget Adoption include expired resource 5640, Medi – Cal BOP and resource 1400 Education Protection Act.

## Local Control Funding Formula (LCFF)

All California K12 charters and public-school districts receive tax dollars allocated by the state legislature via the funding formula implemented in 2013-14 called the Local Control Funding Formula (LCFF). The formula is a complex calculation that is based on a variety of data points, the most salient being student attendance and the unduplicated pupil count.<sup>11</sup> The student attendance is multiplied by a revenue dollar per pupil, further increased by the count of unduplicated pupils, resulting in the gross funding amount for the educational entity. The LCFF revenue usually represents 80 to 90% of the total revenue for the LEA.

The California Department of Education (CDE) is the government entity that receives student attendance and unduplicated count data from districts and charters, tax information from the state and county offices of education, and based on the state's budget, apportions the LCFF to each K12 entity. The CDE is the official source for apportionment data.

The external auditor audits district and student attendance data at the local level. Audit findings are reported to the client (the LEA) via the audit report. The client must report audit findings to the CDE by correcting their student count and attendance reports to align with the audited numbers.

Due to the complexity of the LCFF calculation, the Fiscal Crisis Management Assistance Team (FCMAT), a government agency unrelated to the CDE, created a tool for districts and charters to use to estimate their LCFF. The CDE apportionment documents are not designed to calculate future apportionment, but are to be used to validate apportionment received, or to be received, soon.

The district needs to reconcile the LCFF calculator to the audit report findings and the California Department of Education certifications at every CDE certification interval. If the district reports its data on time, then the subsequent release of CDE apportionment data should align with the district's assumptions in the LCFF calculator used to calculate the districts revenue budget.

Examples of discrepancies for the Estimated Actuals 2022-23 and Budget Adoption 2023-24 are as follows.

- The district enrollment reported in the CDE's 2022-23 apportionment and the districts LCFF calculator do not equal the same number as they should. The district LCFF calculator reports 9,961 enrolled; CDE reports student enrollment at 9,916. At this juncture, the CDE certification and district assumptions should align unless the district has certified data after the initial due date.
- The district unduplicated pupil count in the CDE's 2022-23 apportionment and the districts LCFF calculator do not equal the same number as they should. The district LCFF count reports 8,526 students; the percentage of enrollment is 85.59%. The CDE certified an unduplicated count of 8,484 and a percentage of 85.56%.

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<sup>11</sup> The unduplicated count is an annual count of pupils who represent a socio-economic demographic that is measured by poverty (qualification for free and reduced meals), English Language Learners and Foster Youth. The word "unduplicated" in this context refers to each pupil being only counted once, regardless of the number of categories that pertain to them. The higher the count, the more funding the district/charter receives. The Local Control Accountability Plan (LCAP) is an annual report that each district/charter must provide to its Governing Board to describe how the entity will serve this demographic.

- The district did not adjust its 2021-22 P2 attendance report for the 1 ADA per the audit finding in 2021-22 at the first available opportunity. The next time that this number can be validated as received by the CDE is February 2024. The reporting windows to correct data are limited. When deadlines are missed, the LEA only has two opportunities per year to check whether the CDE received the data, once in February and once in June.
- The district did not adjust its 2021-22 unduplicated count per the audit finding. The next time that this number can be validated as received by the CDE is February 2024. As with the attendance report above, the reporting windows to correct data are limited. When deadlines are missed, the LEA only has two opportunities per year to check whether the CDE received the data, once in February and once in June.

### **Estimated Actuals and Budget Adoption, 2022-23 and 2023-24**

The budget is a management tool and a major means for fiscal policy. It is the principal planning instrument for the organization, allows for community engagement, serves as a legal basis for spending public funds, affords a control for tax dollar spending, and provides a way for the LEA to be accountable to those inside and outside the organization. The public expects a linkage between resource allocation and student outcomes with evidence of academic achievement and facilities adequacy as measured by functionality and sustainability.

The budget is to reflect what the district is experiencing and what is possible and probable to attain. If the district remains on the current path budgeted, it will not achieve its 3% required reserve in 2026-27, which would be the 3<sup>rd</sup> year after the projected two presented at budget adoption, 2023-24. To say that the district is budgeting conservatively is not a remedy for a situation that would be too difficult to operationally correct within the confines of adjusting staff employment, compensation, student attendance and enrollment.

- The district should be presenting a multi-year projection for the General Fund that includes a minimum of three years, not two, beyond the Adopted Budget year. Quick math calculates that a 2026-27 unrestricted beginning balance of \$7 million plus \$15.6 million of unrestricted deficit spending yields a negative unrestricted ending fund balance \$8.6 million, *before* adjusting for non-spendable items, the 3% reserve and the LCAP carryover discussed below. However, when using the district-proposed third year out, the excess of expenditures over revenue increases to a negative unrestricted fund balance \$11.2 million in 2026-27.<sup>12</sup>
- When the district includes the 2022-23 LCAP carryover in the fund balance as projected, the district fails to meet its 3% reserve by \$6.7 million in 2024-25, \$22.3 million in 2025-26 and \$40.6 million in 2026-27.
  - These calculations do not include any opportunities for compensation increases for any of the projected years, including the Adoption.
  - A district in this fiscal condition should have a fiscal stabilization plan in place that is clearly articulated in the supporting documents and narrative and that every stakeholder can understand its implementation details and timeline.
  - The magnitude of this deficiency is not easily resolved; it requires a multi-year effort such that it would not impact the delivery of services to students.

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<sup>12</sup> See this report's appendix, exhibit nine.

## Budgeting process as it relates to position control and payroll

Tracking staff costs is one of the largest activities of the accounting department. The initiative to staff to the available financial resources must be a collaborative effort at the Executive Cabinet and be a high priority throughout the support staff of all three departments. All three departments should be able to articulate staffing ratios to students for all categories of employees, not only teachers. Full-time equivalents for every job class should be clear year over year so that all departments can monitor; it is not the job of one department to carry the financial burden of the district. Funding for all job classes, vacancies that are budgeted, and the positions that will not be renewed should be familiar to all departments and articulated in the same way. The district needs to budget for vacancies that *can and will be filled*, for compensation changes accurately and promptly and adjust through attrition to prevent a continuous threat of layoffs.

- The district should be preparing a document that compares prior year actuals with current year payroll and position control with the future year position control to determine whether payroll reflects position control and vice versa. When comparing the final payroll that posted to the budgeted payroll at Estimated Actuals 2022-23, many restricted resources compensation budgets did not follow to plan. In the teacher category alone, (fund 01, 11xx object) over \$3.6 million was unspent in pandemic and federal title resources when compared to budget. In the total General Fund employee compensation categories (1000-3999 objects), the salaries and benefits budgets are overstated by \$8.5 million. The district needs to be using the latest information that includes compensation changes. The business, human resources, and educational services program managers need to monthly discuss vacancies and the status of recruitments with the aim of adjusting the budget accordingly. It is evident at the Budget Adoption June 21, 2023, Board meeting that the Governing Board recognizes the discrepancies between district plans and executed plans and desires management to hold itself accountable and present financial plans that are reflective of what is achievable.
- When asked to provide the support for the employee compensation for the Second Interim report and the Estimated Actuals 2022-23, the district provided a document for 2022-23 dated 12/13/23. The district published a tentative agreement with its bargaining units on 12/14/23. The source documents that should inform the budget did not include this increase, which included many complexities whereby most employees received a 7% increase and those on subsequent steps received increases by +1%, +2% and +3.5%, capping at an increase of 10.5% for the most senior of employees. The district should update its source documentation so that budgets can be supported with details that reconcile. A budget should not be prepared with outdated information and the same outdated information should not be used for two budget cycles. The document used to source the budget should easily demonstrate whether vacancies are budgeted, the changes in cost and full-time equivalents from year to year due to pandemic funding expiring, LCAP initiatives and eliminate one-time settlement costs from 2022-23 to 2023-24

## Local Control Accountability Plan (LCAP)

The Local Control Accountability Plan (LCAP) is required of all LEAs including school districts, COEs, and charter schools and is to be incorporated into the LEA's budget.<sup>13</sup> The LCAP describes the use of supplemental and concentration funds<sup>14</sup> that are to be used to support the LCFF unduplicated count students of the LEA. LEAs with unduplicated counts over 20% receive supplemental funds and counts over 65% receive both supplemental and concentration funds. In other words, the higher the count of needy students, the higher the amount of revenue per student is apportioned to the LEA.

The LCAP has been required since the inception of the LCFF in 2013-14. Since 2013-14, the LCAP required LEAs to report the amounts anticipated to be spent on unduplicated count students. The intent of the legislation was to invest in the students whose socio-economic metrics generated the additional funds. However, no external audit procedure is required by the state to hold LEAs accountable. The accountability process relies upon public engagement, nothing more.

As of the 2021-22 fiscal year, LEAs are required to perform a complex calculation that is intended to prevent supplemental and concentration funds from being "swept" or reallocated to other priorities, such as the "base" services enjoyed by all pupils.<sup>15</sup> Best practice for all LEAs, but particularly relevant for LEAs with high counts, is to account for supplemental and concentration funds received in every year as spent in that year. Otherwise, these LEAs are accumulating a "carryover" amount that acts like one-time money. Like carryover of any program, unspent one-time funds are difficult to expend in a meaningful way. As an example, it is difficult to recruit and hire employees for a short duration or deploy a consequential short-term initiative.

- The Vallejo City Unified School District receives approximately \$35 million per year in supplemental and concentration funds. As noted in VCUSD's 2023-24 budget adoption, the projected carryover for LCAP in the 2023-24 ending fund balance is anticipated to be \$22.3 million. The carryover estimate would indicate that the district is not spending its allocation every year.

<sup>13</sup> LCAP is intended as a comprehensive planning tool to support student outcomes and is an important component of the LCFF. The LCAP describes how LEAs intend to meet annual goals for all pupils, with specific activities to address state and local priorities identified pursuant to *EC* sections 52060(d), 52066(d), and 47605.

<sup>14</sup> Supplemental Grant Education Code Section 42238.02(e): For each grade span: Base Grant or Adjusted Base Grant per ADA, times total funded ADA, times Unduplicated Pupil Percentage (UPP), times 20 percent. Concentration Grant *EC* Section 42238.02(f): For each grade span: Base Grant or Adjusted Base Grant per ADA, times total funded ADA, times portion (if any) of UPP2 that exceeds 55 percent, times 65 percent.

<sup>15</sup> School Services of California, *School Finance Conference*, July 15, 2021. 1) Determine if all funds budgeted in the LCAP for actions identified as contributing toward meeting the minimum proportionality percentage (MPP) were spent, 2) Determine if less funds were budgeted than the estimate of supplemental and concentration grant funds received, 3) If less, then calculate the percentage point difference between the total planned and total actual quality improvements, 4) If the total actual quantitative and qualitative increases/ improvements are less than what was planned for in the prior-year LCAP, and together they are insufficient to meet the prior-year MPP, then the LEA has to: a) Designate the difference as an unused portion of S/C grant funds, b) Spend the funds on specific actions contributing toward meeting the MPP, c) Report the planned uses of these funds in the coming year's LCAP. This requirement is in addition to the requirement to meet the MPP for the coming fiscal year.

- This assessment is concerned with the math associated with this disclosure. The district would need to either expend these dollars in the 1000-7999 object categories or continue to carry the funds in its ending fund balance. For the future years, the district appears to be doing neither. In effect, the district has “swept” these funds and/or reallocated them to “base” priorities.

### **General Obligation Bond Proceeds**

The district’s capital funds can be as large in scope and complexity as the district’s operational funds. District fiscal distress occurs when the district does not have the internal accounting capacity to analyze whether it has sufficient funds or cash flow for a project. Construction projects require a minimum of monthly monitoring and sometimes require daily coordination between facilities, accounting, and contractors to ensure projects are cost contained and are built to district specifications. Costs can shift rapidly, depleting funds faster than expected. Additionally, the timing of receipt of funds may not correlate with the expenditure of funds. Demonstrating competence in sequencing construction tasks with accounting concepts is critical to ensuring projects do not encroach on operational funds.

The district outsources the cash flow and budget to actuals analysis of these issues. The district is unable to explain these financial reports to the level of detail that inspires confidence that adequate monitoring is taking place internally.

- The district is not accounting for its \$52 million in general obligation bond proceeds in accordance with the official statement issued March 24, 2023, that reports the sources and uses of these funds. The district is netting all transactions.
- The district budgeted \$74.5 million in its general obligation bond capital expenses for 2022-23 only to expend \$8 million as of June 30, 2023, in its 2022-23 preliminary closing general ledger as of July 20, 2023. The district is encouraged to maintain a budget that accurately reflects the immediate construction plans of the district.
- The district relies upon a consulting firm to provide the budget to actual comparisons and cash flows for the projects. The district accounting office needs to be more engaged in this process; the vendor recognizes the over-reliance of the district on the firm and was scheduled to provide preliminary training as of mid-March 2023.

### **Cash Flow Budget Adoption 2023-24 and 2024-25**

An informed cash flow is the first tool to detect potential insolvency, not the district budget. A district may deplete its cash before budgeting a negative fund balance. Cash flow is the determining factor as to whether it can meet its obligations or not.

Therefore, due to the importance and significance of cash flow, the district should be preparing a cash flow that is more detailed than the one required in SACS. The district could not provide such.

- The cash flow should detail every revenue object by resource. Every resource has a unique cash release schedule from the awarding agency and the district should demonstrate that it calculated the month of receipt of funds. In the case of the LCFF, the State Aid should be separate from the Educational Protection Act and Property Taxes should be separated from Charter-In-Lieu payments. The level of detail of the cash flow does not provide for this vital information.

- The district should also prepare a flow for expenses using the two-digit object code to differentiate expenses by type to determine whether the district is spending according to plan.
- The balance sheet needs to be flowed by four-digit object code by resource so that the district can detect errors in reconciliations. Balance sheet accounts should reflect what the district owns and owes, and it is only through another view of the accounts that the district can tell whether it has cleared its prior year accruals and is correctly posting current year cash.

### **Accounts payable**

Accounts payable is the accounting function that pays vendors. Paying vendors promptly results in a true reflection of district obligations. By paying vendors promptly, the district can analyze and control costs throughout the year, improve budget estimates and only need to perform period 13 entries at closing because they have completed all the tasks as they occurred in the first 12 periods, July through June.

- After sampling invoices from FY 2019-20 through June 2023, it appears the district struggles to pay its vendors within best practice of 30 days, with 75 to 100 days being closer to the norm.

### **Security of transactions and segregation of duties**

Access to a financial system is a foundational control over payment of vendors and employees. The ability to create employees and vendors in a system needs to be separated from the ability to pay. In other words, those who control data bases such as employee databases and salary schedules, should be the function of human resources employees. Vendor databases should be the function of purchasing employees. Paying employees and vendors should be the role of payroll and accounts payable, respectively. Purchasing and receipting goods and services should be separated from each other and the payment function. Receipting, depositing and reconciling cash functions need to be separated to control cash.

- Our assessment process requested the logins and ESCAPE financial system access for all VCUSD employees from the Solano County Office of Education. The report provided was in Adobe Acrobat, comprised of 733 pages with non-searchable components, 272 employee roles, 16 types of logins, without the ability to easily sort by active and non-active log ins, types of logins or roles. In other words, this tracking method does not lend itself to easily audit whether staff have logins that fail to segregate duties or have log ins that are inappropriate for their job description.
- Due to the difficulty in auditing these records, our firm is providing one example of a severe potential weakness. It appeared that an active login exists that is not assigned to any employee. This login has access to several critical financial activities that include vendor payments and higher-level access to a variety of accounting and budgeting jobs. The district is encouraged to explain how it monitors the access to its financial system under these conditions. The County Office of Education is not involved in oversight.

## Charter School Oversight

The district oversees six charters in addition to its own operations. Charter oversight is a labor-intensive endeavor, requiring subject matter experts and time. Oversight requires that the district business, human resources, and educational services departments conduct evaluations of the charter departments with the same thoroughness of audits that combine the criteria of the external audit, the FCMAT comprehensive reviews, and federal program management audits.

The financial oversight component poses the highest risk to the district. Districts must mitigate the risk of being held responsible for a charter being unable to continue its operations through rigorous oversight.

As recently as 2019-20 and 2020-21, the Griffin Technologies Academies business office staffing and competency posed significant challenges. The challenges are evidenced by the amount of time an external accounting consultant worked with the charters, the effort of the external auditor, and the delay of the audits due to client lack of preparedness. The auditor documented the numerous challenges in a very detailed letter dated April 15, 2021. The letter described the inability of the Academies to accurately and timely report its financial condition.

In a separate engagement, our team contracted briefly to assess the Griffin Technologies Academies in July 2021. Our team's findings supported the concerns of the external auditor as expressed in their April 2021 letter. Our engagement revealed that the charter was implementing a new financial system, had not reconciled its general ledger for the two previous years, hired a new Chief Business Official (who terminated within the year), recently hired a new accountant, and was unprepared for the for both the 2019-20 and 2020-21 external audits<sup>16</sup>. The charter had spent over \$300,000 on accounting consultants in FY 2020-21 to assist with the conversion<sup>17</sup>. Our firm notified Vallejo City Unified School District and the State Trustee of the condition of the financial reporting process.

The district responded by engaging FCMAT to do a review of the situation. FCMAT published an "Organizational Structure and Business Process Review," April 22, 2022.

The problem is well-documented; however, it is unclear how it has been resolved.

- To provide adequate charter oversight, the district must receive copies of the charter external audits and the detailed transactions both exported from the financial system in *Microsoft Excel* and with unalterable documents to compare the integrity of the data with what is projected by the charter. It appears the district is not receiving source documents to support enrollment, attendance, or financial data other than budgeted information that can be altered and/or have no relationship to actuals. Receiving these documents is not sufficient; the district needs to be able to analyze the charters to the same degree it can analyze its own organization.

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<sup>16</sup> On April 15, 2021, the Griffin Technologies Academies external auditor wrote a letter to the Charter Board of Directors upon completing the audit for the year ending June 30, 2020. The audit was completed four months late due to significant difficulties with the client providing information to the auditor. Numerous material and immaterial adjustments were required to adjust a multitude of accounts, of which were documented in 24 separate *Microsoft Excel* workbooks.

<sup>17</sup> For context, the total revenue for the charters approximated \$14 million in 2019-20.

- The district not only needs to elevate the skills and the number of employees with accounting skills in the business department for district purposes but also needs to staff with accountants who can adequately and regularly assess the six charters under their oversight.
- In effect, the district is expected to provide the same diligence with its charters that Solano County Office of Education provides to its districts. The Solano COE can conduct its oversight 24/7/365 due to having access to the financial system of the district and make demands of its LEAs. The district needs to consider how it will accomplish the same level of diligence with entities that are off-line and may or may not be responsive to requests. The district also must consider how to organize its time and skill set to accomplish its own deadlines and oversee those of others.

## **Conclusion**

This report is designed to assist the Trustee, the Solano County Office of Education, and the Vallejo City Unified School District to exit the district from the state loan process.

The district is commended for eliminating or avoiding all but one risk factor, the retiree health insurance investment.

- Maintaining a culture whereby high ethical and morale values are upheld in all interactions of Board members, administration, employees, and vendors is foundational to maintaining solvency.
- A district must avail itself of all financial software and banking services offered by its County Office of Education so that the COE may provide the best oversight possible. By being a part of the same financial and banking systems, the district is better positioned to find a labor force that has experienced the same system and can have others temporarily assist. Participating in the COE systems allows a district to receive training and guidance relevant to its operation. Any departure from COE-provided systems is redundant and unnecessary. It has proven to be a high-risk factor in LEA's losing control of their ability to report their financial condition accurately and timely.
- A district should not be issuing non-voter approved debt unless it will be paid off with a General Obligation Bond that has passed the electorate. Many districts issue debt for cash flow purposes only to struggle later to repay it. The debt service becomes onerous for the general operating fund diminishing the ability to adequately compensate active employees and improve student programs.
- Maintaining decorum and professionalism at the Governing Board level sets the tone at the top. Broadcasting live meetings, following the Open Meetings Act and keeping the Board webpage up to date with minutes and agendas signals competency in administration and governance to the staff and community.

The areas of immediate improvement are: 1) raising the student attendance percentage as compared to enrollment, 2) utilizing the increased dollars to invest in programs that are proven to generate interest in the Vallejo City Unified School District community, such that student enrollment and attendance spiral upward, 3) addressing all issues with collaboration between education, business and human resources; no one department should be responsible for ideas and implementation, 4) utilizing source data to inform all decisions and have staff become knowledgeable about local trends, 5) raise the competency of the accounting and budgeting department, and 5) attend to the details provided in the

original eight FCMAT reports. Over 400 criteria have been provided to guide the district; the roadmap is available.

The district must address its student attendance issues immediately, budget for actual positions that will be recruited and employed, address the LCAP carryover and have all departments understand the gravity of the data presented in this report and be part of the solution. As it stands now, the district is in jeopardy of returning to the place it is attempting to exit.



January 17, 2025  
Draft presented: December 19, 2024

Ms. Michelle Henson  
Deputy Superintendent of Administrative Services and Operations  
Solano County Office of Education  
5100 Business Center Dr.  
Fairfield, CA 94534-1658

Dear Deputy Superintendent Henson:

As contracted with the Vallejo City Unified School District on November 16, 2022, our firm performed a non-attest function in compliance with Education Code 41320.1(a)(4) for the purpose of determining the strength of the fiscal systems of the district associated with the final payment of the State Apportionment Loan. The report was presented to the district in draft July 31, 2023, and finalized November 1, 2023. Our firm is providing a subsequent, follow up report, as requested on July 17, 2024, by the Solano County Office of Education. The purpose of the follow up report is to assess the status of previous findings and determine whether any novel issues of substance emerge.

We were not engaged to, and did not, perform a financial audit, the objective of which would be to express an opinion on the district's specified records, accounts, or items. Accordingly, our firm does not express such an opinion. Had our firm performed additional procedures, other matters may have come to our attention and reported to you.

However, our firm did perform certain procedures that resulted in internal control findings for the fiscal system. These findings are in the following report.

This report is solely for use by the County Office of Education and only be used by those who have agreed to the procedures and assumed responsibility for the sufficiency of the procedures for their purposes.

Respectfully,

A handwritten signature in blue ink, appearing to read "Caroline A. Larson".

Caroline A. Larson, CPA  
Partner

The overall conclusion from this assessment is that district culture improved from over a year and half to two years ago and the most important risk factors for solvency have not degraded, specifically, the district continues to operate within the County Treasury for most of its major funds, utilizing the county office of education financial systems software, contracting with a reliable attendance software vendor, has not issued non-voter approved debt. The district continues to publish, via its website, timely, detailed, and relevant information about its Board meetings and community committees.

The challenges the district faces are those of many California K-12 public schools, which include declining student enrollment, degraded student attendance percentages, high investments needed in safety & security, efficiencies needed in usage of sites, loss of federal and state protections in the form of extra, one-time funding, loss of student attendance formula protections from the pandemic era, and rightsizing staff to meet the decline in student enrollment, amidst increasing student needs.

The district continues to rely on vendor support in its legal counsel, audit firm, municipal advisor, facilities accounting, attendance software, and charter oversight. The district needs to continue to build their capacity in these areas. Lack of doing so could cause the district's condition to degrade further.

A new Superintendent as of July 1, 2024, is bringing new energy and enthusiasm for the difficult tasks of rightsizing staff and facilities. The district's choice to involve legal counsel is wise to avoid missteps in a very complicated and fraught process. Although in the early days, more action has been taken in the past few months than previous years, to resolve these issues. Overall staff morale seems improved, of whom see the district moving in the right direction, recognizing the tall task of exiting receivership.

The district will financially suffer until its student attendance rate matches the statewide average of 5% illness rate, addresses right-sizing staff that has not been attended to for more than seven years, utilizes facilities such that the vandalism, security, and related repair costs subside, and programmatic changes can be implemented to increase student achievement.

Our firm continues to emphasize that the district needs to further build their capacity and learn more from its long-term vendors. Vendors, including legal counsel, continue to be the source for information about the district's bond-sourced capital improvements, charter oversight, and details regarding future site usage. The district is still unable to articulate the relationship between enrollment, attendance, staffing and utilization of financial resources and facilities. Although employee teams may meet across the functions of human resources, facilities, business, and education, the agendas and results do not appear to yield the rapid pace of understanding and coordination needed to implement a recovery plan.

Although important, undue emphasis appears to be attended to the Local Control Accountability Plan (LCAP) and audit checklists for several years, with actions toward solvency of subordinate priority. It is unclear whether LCAP 'carryover' will be a one-time investment or on-going and is complicating the understanding of the districts multi-year projections.

The highest concern is the district's tenuous financial position moving into the 2025-26 year and beyond. Please see Exhibit One, an Eide Bailly-prepared multi-year projection that demonstrates the district will not meet its 3% reserve in the first subsequent year. Assuming the general operations of the district continuing a similar trajectory, the district's general fund would need to either increase revenue / decrease expenditures by \$18 million on-going, beginning July 1, 2025, and another \$18 million on-going, beginning July 1, 2026, for a total of \$36 million in on-going changes to program over the course of two-years, on-going, to maintain the required 3% reserve. This estimate does not include changes

for prospective collective bargaining agreements, inflation, student needs, utilities, or statutory changes in insurance /payroll benefit costs, other than increases to PERS. District cash flow would be impacted negatively as of the 2025-26 school year. These projections do not include action for projected reductions in force, sale of property, reconfigurations of sites, or site closures. The multi-year projection provided to the Solano COE is for their use, assuming the district proposed plans do not materialize.

### **Updates and changes since the previous fieldwork of December 2022 through June 2023:**

#### EXTERNAL AUDIT AND OVERSIGHT

- The district completed its external financial statement audits for fiscal years 2022-23 and 2023-24, with the 2023-24 audit meeting the December 15<sup>th</sup> deadline for the first time since the disruption of the worldwide pandemic.
- The district completed its draft First Interim 2024-25 report timely, by Thanksgiving, with the budget in the financial system, supporting the summary SACS data, and not materially changing to the final submission. However, the technical review checks reveal the district does need better understanding of each resource and / or better coordination with human resources and educational services so that programs have plans, the employees and vendors are direct charged, and that the actuals directly relate to the budget. When this happens, the resource accounting improves.
- The Adopted Budget 2024-25 was clear of technical review errors, an improvement over previous submissions.
- FCMAT performed their latest annual review, released November 1, 2024, supporting the concerns raised in the Eide Bailly November 2023 Education Code 41320.1(a)(4) assessment and adding their own conclusions.
  - FCMAT concluded that, “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.”<sup>1</sup>

#### OFFICE OF THE SUPERINTENDENT

- The district hired a new Superintendent, Mr. Rubén Aurelio, upon the retirement of Mr. William Spalding, June 30, 2024. In the first few months of his administration, Mr. Aurelio is creating a culture of action, engagement, and accountability. Superintendent Aurelio has a sense for the community and the outreach needed, using a variety of vendors and media. He is immediately addressing facilities safety, upgrades, reconfiguration, and its impact on students and staff. Within

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<sup>1</sup> Fiscal Crisis Management and Assistance Team, Vallejo City Unified School District Annual Review,” November 1, 2024.

less than five years, Vallejo could see a resurgence in its vitality with his leadership. Success depends upon the energy of the Governing Board, internal staff, and outside community responding to his student-centered revitalization efforts. Mr. Aurelio has every intention of spending years with the district, which is exactly the dedication needed to address the challenges of culture, student achievement, safety, facilities improvement, and talent development.

- Superintendent Aurelio’s leadership style of bringing all executive leadership positions together, to collaborate, deepen their own learning, and see the value of connectivity across the disciplines of education, human resources, business, and facilities, to address the complicated issues, is new and needed. By valuing the current team, Superintendent Aurelio is providing the stability needed in this moment. Superintendent turnover has dampened the ability of the district to move forward in the past. Superintendent Aurelio is addressing the most damaging fiscal stressors first by concentrating on facilities and student attendance.

#### SUBJECT MATTER EXPERTS

- The district’s internal auditor retired after 20 years of service in March 2024. The position was subsequently filled briefly and is currently vacant. For many reasons, this assessment agrees with the district decision to pause on filling this position until the appropriate person(s) can be recruited. An extra accounting position could be considered a “luxury” for a district this size. However, the district retained its complexity even with the loss of students. When considering the number of issues that need attention, more subject matter experts may be needed as support to Executive leadership.
- The district needs an accounting expert who can be the second set of eyes for balance sheet reconciliations, understanding all transactions of the district and how the systems inter-relate, training, monitoring, and holding payroll, accounts payable, banking, and purchasing technicians accountable. In a simple example, the vendor records show that the same vendor is paid under multiple names (including the State Trustee, Mr. Iizuka who is entered as IIZUKA, MELVIN E. and MELVIN E. IIZUKA). Usually, this error indicates lack of care, lack of knowledge of the financial system, or both, and can lead to fraud, or at the very least, a breakdown in the ability to analyze vendors and their costs. The prevalence of this error is enough to note and cause concern about competency of basic skills.
- Our firm provided a balance sheet reconciliation, which is beyond the scope of an external audit, performing the tasks of the accounting department. The result was improved over the prior assessment that took place in the first half of calendar year 2023. Fewer unreconciled accounts existed, and the magnitude of each unreconciled account decreased. Although the overall effect of these items’ nets to \$53,410.18, the concern is that the district has several accounts that need attention.

| Object | Description        | Projected Fund Balance Impact<br>INC/(DECR) |
|--------|--------------------|---|
| 9502   | Federal Income Tax | (1,416.32)                                  |
| 9503   | Medicare           | (583.65)                                    |
| 9504   | STRS               | (189,975.62)                                |

|      |                  |             |
|------|------------------|-------------|
| 9506 | PERS             | 151,835.07  |
| 9514 | STRS Buyback     | (4,348.98)  |
| 9542 | State Income Tax | (12,841.52) |
| 9547 | Deferred Net Pay | 6,535.02    |
| 9556 | Dues             | (354.55)    |
| 9557 | Misc Vol Deds    | (97.56)     |
| 9559 | OPEB             | 1,393.94    |
| 9569 | Other Benefits   | (2,526.95)  |
| 9595 | District Repays  | (1,029.06)  |

- The relationship between the calculation of the Local Control Funding Formula (LCFF), district student attendance, charter attendance shift, the external audit findings, and the maintenance of the general ledger need to be understood and implemented timely. A review of the calculation as of December 2024, reveals the following:
  - District attendance for 2022-23 and 2023-24 has not been revised in the Principal Apportionment Data Collection system for the audit corrections.
    - The district’s 2022-23 attendance was downgraded by 93.66 ADA per the external audit and is not reflected in the 2022-23 Annual R1 cycle, a second cycle since the audit. This indicates the district did not file the revisions.
    - The district’s attendance was upgraded by less than one ADA as of 2023-24 per the external audit and should be reflected in the 2023-24 Annual cycle, the first cycle since the audit. The district did not provide the revisions.
    - The district filed the charter shift data upon prompting by this assessor that appears suspect for 2022-23 and 2023-24; the numbers reported for both years is the same, which is statistically almost impossible. The district revised its reports for both years without providing support to this assessor or the external auditor. As a result, the auditor did not count this shift and upgraded the district’s LCFF and effectively reversed the payables the district set at 2023-24 closing.
  - Our recalculation of the LCFF with all these factors, and a balance sheet reconciliation, show the district did not reverse two accounts payable balances of \$712,656 and \$340,483 from the balance sheet into the income statement prior year LCFF account, 8019 object, as they should have. These entries would have offset the funds owed to the California Department of Education of \$495,256 for 2022-23 and \$1,126,775 for 2023-24. These amounts remain unreconciled as of this assessment.
  - It would benefit the district to engage with our team to implement the details and provide support for the charter shift.
- District employees in both facilities and business need to be able to articulate the details of the facilities project planning of architects and contractors, with timing the issuance of debt, funding applications, sourcing revenue to fund projects, project budgeting, cash flows, and reconciliation to the general ledger. The recommendation is for district employees to gain the skills, knowledge, and expertise (SKE) from active engagement with the two highly knowledgeable and capable vendors who have been serving the district, Key Analytics, a division of C Financial Investment Inc., and Government Financial Strategies. Attaining the SKE of these professionals is a goal for district employees to achieve. While our firm does not recommend changing vendors or eliminating them;

these vendors have been, and continue to be, a vital support for fiscal solvency. The district needs to change its mindset from reliance, to learning from the vendors, such that the district builds their own capacity and internal systems to ensure fiscal solvency.

- When a district has approved as many charters (six) as Vallejo, the tasks associated with charter oversight become a role unto itself. The same SKE required to operate a district is required to effectively oversee another local educational agency (LEA). Charters function with many of the same, but not all, compliance of a K12. Many charters operate as non-profits, with quasi-governmental practices. Nonprofit charters follow Financial Accounting Board Standards (FASB) and K12 LEA's follow Governmental Accounting Board Standards (GASB), as one example. California K12 compliance is the most demanding of all 50 states. The level of commitment to this process is equivalent to operating one's own LEA, plus providing the functionality of a County Office of Education, that employs entire departments for each discipline that needs monitoring. The district engages Government Financial Strategies to perform this service, which it is recommended to continue. Again, the district goal is to attain the SKE of its vendor support, even when the district does not have staff to perform the task.

#### SITE USAGE / BOUNDARIES / 7-11 COMMITTEE

- On May 17, 2023, the Governing Board approved a boundary change for Highland Elementary School, set to take effect in the 2023-24 school year. This adjustment expands Highland Elementary's attendance boundaries to include all students in third through sixth grades who Lincoln Elementary School currently serves. The decision to modify this boundary meets the need to implement a comprehensive reconfiguration plan for Lincoln Elementary, which started at the beginning of the 2023-2024 school year. This reconfiguration aimed to optimize student distribution and resources between the two schools, ensuring that all students received appropriate educational support and facilities. As a result of this change, families in the affected areas will have more precise options for their children's education. They will benefit from the resources and programs offered by Highland Elementary School.<sup>2</sup>
- Pursuant to Education Code Section 17387 et. seq., the district authorized the establishment of the District's Facilities Advisory (7-11) Committee. The Committee meets to convene a public hearing to solicit input, comments and questions on the disposition and proposed use of certain real property owned by the district. The district's 7-11 committee's role is to present options to the District's Governing Board. During the fall of 2024, these options received the highest level of consideration.<sup>3</sup>
  - The Committee recommends that the Board consolidate the students currently attending Pennycook Elementary with the students currently attending Stefan Manor Elementary and declare the Pennycook property as surplus to District needs. The district should consider potential alternative uses for the Pennycook property, in addition to considering potential lease or sale of the site to generate revenue.
  - The Committee recommends that the Vallejo Charter School program relocate to the Mare Island Academy facility. The district should evaluate the Vallejo Charter School site for potential use as staff housing as well as recreational and sporting uses for the athletic facilities

<sup>2</sup> Vallejo City Unified School District audit report, as of June 30, 2024.

<sup>3</sup> Vallejo City Unified School District 7-11 Committee, approved minutes for October 23, 2024 meeting.

and fields. The Committee also wishes for the Board to have the flexibility to consider potential sale or lease of the Vallejo Charter School site, to maximize its value in a desirable location.

- The Committee recommends that the students attending middle school in the separate building at Loma Vista relocate to Solano Widenmann. The middle school could be used to house an extended learning program associated with the nearby Loma Vista school and Farm program, professional development facility, or other District facility needs.
- The Committee recommends that the Mare Island Academy students consolidate to the Federal Terrace and Lincoln elementary schools and to surrounding middle school sites, to make room for the Vallejo Charter School program to relocate to the Mare Island Academy facility. The Committee recommends the district should retain ownership of the Mare Island Academy facility to potentially accommodate increased enrollment expected from residential development on the island.
- For any facilities found to be surplus to District needs, the Committee supports any decision by the Board to apply for a waiver of the surplus property competitive bidding requirements to seek offers that are most advantageous to the district based on multiple factors, including price.
- The district is encouraged to consider the consequences of selling property for general fund operations per State Allocation Board guidance in Appendix A and the benefits of occupying its property in alternate ways when vacated for K-12 education.

#### 2024-25 FIRST INTERIM CERTIFICATED POSITION CONTROL / STAFFING

- Despite decline in student enrollment, the district has not adjusted FTE, which will impact solvency.
- The district improved its budgeting to conform more closely to the staff on the payroll than in the past. However, the district budgeted for vacancies in regularly assigned positions. It is unclear whether these vacancies will materialize; the budgets are in the several millions.
- The substitute budgets are half the actual costs of prior years. Should the vacancies not be filled, then the costs would be shifted to increasing the sub budgets, overall, not materially affecting fund balance. However, should the vacancies be filled, the substitute position budgets could be materially understated.
- The general fund teaching FTE appears to fluctuate from 2021-22 through 2024-25, from 438 to 453. Curiously, a large percentage of the 2023-24 teaching staff terminated, yet seemingly was replaced in 2024-25 by 43 new FTE. It appears the district may have lost a valuable opportunity to resize one of its largest employee groups. When systems are not in place between human resources, education, and business, lost opportunities frequently happen during periods of Superintendent transitions. However, the district does not have a history of reducing staff; our analysis dates to 2018-19.
- From 2021-22 through 2024-25, approximately 30 certificated, general fund administrators have been on payroll. Certificated support staff, which includes, primarily counselors, psychologists, and pupil services personnel, grew slightly from approximately 28 FTE to 33 FTE.
- The growth in salary costs appears to have been from salary schedule increases over the past four years. It is apparent, by informal comparisons available to our firm, that Vallejo certificated

salary schedules were modest *prior to 2022-23*, which is common amongst districts that must cost control when all other factors remain the same.

- The district appears to be paying penalties to certificated employees for late payment of compensation. The related costs total as much as a couple hundred thousand dollars annually. It is unclear whether these costs are mislabeled in the ledger, or this does represent a penalty paid from object code 1125.

#### 2024-25 FIRST INTERIM CLASSIFIED POSITION CONTROL / STAFFING

- Despite decline in student enrollment, the district has not adjusted FTE, which will impact solvency.
- The district improved its budgeting to conform more closely to the staff on the payroll than in the past. However, the district budgeted for vacancies in regularly assigned positions. It is unclear whether these vacancies will materialize; the budgets are in the several millions.
- The substitute budgets are half the actual costs of prior years. Should the vacancies not be filled, then the costs would be shifted to increasing the sub budgets, overall, not materially affecting fund balance. However, should the vacancies be filled, the substitute position budgets could be materially understated.
- Classified administration FTE has remained consistent over the period of 2021-22 through 2024-25. The increases have resulted from changes in salary schedule and positions supported by Expanded Learning Opportunities Program (ELOP-2600) and California Learning Communities for School Success Program (LCSSP-7085).
- Classified instructional and support staff FTE have remained relatively consistent, with 2021-22 appearing to be the only year of challenges finding and retaining employees. Otherwise, the district appears to have consistently employed the same person, or quickly filled a vacancy.

#### 2024-25 FIRST INTERIM VENDOR BUDGETS

- The LCAP vendor budget (objects 4000-7999) is \$10M more than actuals plus encumbrances as of November 25, 2024.
- The 2024-25 First Interim budget for non-public agency, object code 5896, across all resources for goals 5xxx, is budgeted at \$11.6M. The history of these costs has increased from just over \$4M in 2018-19 to Over \$20M in 2023-24. The district should revisit this area of the budget.

#### 2024 -25 FIRST INTERIM REVENUE BUDGETS

- The district needs to monitor its federal title programs. It appears to be carrying over more than the 15% limit for 15 months for Title I and is likely to lose funds for the remaining titles for carrying over more than the permitted 27 months.
- The budget for 8699, local revenue, is budgeted at \$4.6M. The district has consistently received anywhere from \$500K to \$1.5M for this revenue source. Anything higher than this amount should be clearly documented in assumptions.

#### MULTI-YEAR PROJECTIONS

- The district has extended their projections from the required two years to four, which was a recommendation from the prior assessment.

- The district is encouraged to project to the level of detail in the fund financial statements for the general fund. With many one-time monies expiring, it is unclear how the district is tracking on-going costs currently paid with expiring funds.

#### CA COMMUNITY SCHOOLS PARTNERSHIP PROGRAM (CCSPP)-PLANNING GRANT (RS 6331) / COHORT 2 IMPLEMENTATION (RS 6332)

- Vallejo USD is participating in CCSPP. It is unclear how the district is performing the required match (1/3 of the award) for this multi-million-dollar implementation. The award intends to sunset within five years. Participating districts must bear the full cost of the program without support at that time. The CCSPP requirement creates a fiscal challenge by building an on-going program with one-time funds.

#### STUDENT ENROLLMENT

- District enrollment continues to decline, while charter enrollment increases. The district's enrollment decreased from 13,683 in 2014-15 to 9,299 in 2024-25<sup>4</sup>. Year over year change from 2023-24 to 2024-25 is a decline of 142 students, down from 9,441 in 2023-24. The district loss is equivalent to losing a small elementary school of 438 students per year, for ten years.
- Conversely, charter enrollment has grown from two independent charters and one independent charter in 2014-15, with 1,313 student enrollment, to one dependent charter and five independent charters with 2,358 enrollment in 2023-24. The charter enrollment year over year from 2022-23 to 2023-24, increased by fifty-nine enrolled students. Fiscal year 2024-25 data is currently unavailable for this report.

#### STUDENT ATTENDANCE

- Our firm requested the district re-run its 2023-24 student attendance reports and we re-performed the summary of ADA for line A-1. The result was a potential discrepancy between the reported number and the re-performed number, resulting in an improvement of approximately 41 ADA. The ADA difference would improve 2024-25 revenue due to the best of prior year, current year, and the three-year average by \$230,000. The differences occurred in the Tk/K-Grade 3 and grades 9 through 12 ADA. The district was unable to connect on this matter to determine how the district arrived at the lower number and no attendance reports have been adjusted.
- The district did not complete the charter shift data in 2022-23 and 2023-24 student attendance PADC P2 report. When notified of this item, the district updated their P2 for both years but failed to provide support for the numbers to either our external audit or our 2024 assessment team. The data appears suspect as it was reported with the same numbers for both years, which is almost a statistically impossible occurrence. The loss of revenue with the current numbers exceeds \$2.1M, so it is important for the district to calculate this attendance number correctly.

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<sup>4</sup> CALPADS reporting 2024-25 uncertified data, December 4, 2024.

**Business activities that ran concurrently during the period of this assessment:**

- The district prepared its 2023-24 Unaudited Actuals,
- Interacted with the Solano County Office of Education regarding its 2024-25 Budget Adoption and Local Accountability Plan (LCAP),
- Interacted with its internal auditor for its 2023-24 external audit,
- Underwent a State Teacher’s Retirement System (STRS) audit in September 2024,
- Underwent a Fiscal Crisis Management & Assistance Team (FCMAT) annual review,
- Reported to outside agencies, finalizing pandemic resources, and new CDE initiatives like Expended Learning Opportunities Program (ELOP), and
- Completed its 2024-25 First Interim Report.

The activities demanded so much of the district’s staff time that it was difficult to collaborate on the activities our firm performed to show the district the way our firm accomplishes the same tasks in our consulting practice for their benefit. Although this was not the purpose of this engagement, we were able to share information on validating attendance reporting and balance sheet reconciliation. The district’s Chief Business Official has been very warm and welcoming of collaboration with the time available.

**Situations that remain unchanged:**

- The Vallejo City Unified School District, established in 1855,<sup>5</sup> is a political subdivision of the State of California located in Solano County.
- Encompassing approximately fifty-two square miles, the district serves a population residing primarily in the City of Vallejo.
- The district provides education to approximately 9,299 students in transitional kindergarten through twelfth grade, as well as students in preschool programs, adult education, and a dependent charter school. The district continues to decline an average of 435 students per year, or a small elementary school annually.
- The district operates fourteen elementary schools, one middle school, two comprehensive high schools, a continuation school, an adult education school, and a charter elementary school.<sup>6</sup>
- The district sponsors a total of six charters, including 1) Vallejo Charter School, reported in fund 09 of the district financials and included with the districts external audit report, 2) Caliber: Change Makers Academy, 3) Mare Island Technology Academy, 4) MIT Academy, 5) MIT Griffin Academy Middle and 6) Griffin Academy High.
- A five-member elected Board of Education governs the district.
- The district approved Measure S, in November 2018. The purpose of the measure is, “to improve classroom education, safety, and college/career preparation by repairing/updating classrooms,

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<sup>5</sup> General Obligation Bonds Official Statement, Election of 2018, series 2023, March 24, 2023

<sup>6</sup> CALPADs 2024-25 report dated December 4, 2024.

roofs, and bathrooms; updating science/technology labs; improving security/disability access; acquiring, constructing, and modernizing sites/facilities/equipment, shall Vallejo City Unified School District issue \$194,000,000 of bonds raising approximately \$10 million annually on average for 33 years at a projected rate of 6¢ per \$100 of assessed value at legal interest rates with citizen oversight, annual audits, and no money for administrators' salaries/pensions."<sup>7</sup> The district issued \$39 million in 2019, \$52 million in 2021, and \$52 million in 2023. The district projects to exhaust the current issuance in the beginning of 2025-26 and would need to sell the remaining \$51 million, if permitted to do so, in 2025-26.

- All Community Facilities District (CFD) debt will be exhausted by 2026-27.
- The district does not appear to receive redevelopment agency funds outside of the LCFF that could be used for facilities maintenance, modernization, or construction. The district is encouraged to engage a consultant specializing in researching the RDA revenue streams to determine whether it is due these funds.
- The district is expected to exhaust all self-insurance liabilities by June 30, 2025. The district no longer self-insures worker's compensation or any other insurance. The liability represents a tail of costs from prior experience.
- Vallejo is the sixth of the nine total districts to repay its State Apportionment Loan as of yearend June 30, 2025. Oakland Unified School District expects complete repayment no later than the June 2026 deadline. South Monterey County Joint Union High (formerly King City Joint Union High) and Inglewood Unified remain, with South Monterey County expected to be paid in full October 2028, and Inglewood in November 2034.<sup>8</sup>
- Vallejo USD continues to provide life-time health benefits to retired personnel, even though this practice has been recognized as an undue burden to school districts since the first district State Apportionment Loan in 1990.

**Eide Bailly developed framework for mitigating extreme financial risk have not degraded since the field work of December 2022 through June 2023.**

- Actions of Board members, administration and / or employees are absent of self-interest and / or criminal intent.
- Actions of vendors are absent of self-interest and / or criminal intent.
- District uses the County Treasury for banking services.
- District uses the County Office of Education financial services software to report financial information for actuals, budget, and encumbrances.
- District uses all the available modules within the County Office of Education financial information system for position control, payroll, retirement and tax reporting, cash collections, fixed assets, and vendor payments.
- District televises Governing Board meetings, conforms to the requirements of the law as it pertains to open meetings, and posts minutes and recordings within two weeks of the live event.

<sup>7</sup> Measure S Ballot verbiage, November 2018.

<sup>8</sup> California Department of Education website.

- District offers a Board agenda that increases community understanding of issues by writing narratives that address compliance and how the district is conforming to the requirement which includes the financial, educational, and administrative impact.
- District uses reputable, sustainable software vendors for student information systems.
- District does not issue non-voter approved debt such as Bond Anticipation Notes (BANs), Certificates of Participation (COPs) and capital leases.
- District evaluates the financial impact of all passages of its collective bargaining contracts and continuously reviews and updates to cost contain the agreements during the bargaining process.
  - The district is completing the forms to permit the Solano County Office of Education to intervene. However, as noted in the FCMAT November 1, 2024, annual review:
  - “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 Vallejo City Unified School District continues to experience challenges in addressing the Eide Bailly developed framework for mitigating elevated financial risk as listed below. Stable, financially secure, LEAs exhibit these characteristics. Vallejo is rightfully putting focus on the items listed below. However, the challenge will be, “Can Vallejo USD attend to these needs with the swift action required?”**

- District offers an educational and co-curricular program that is recognized by the community, demonstrated by student enrollment and attendance metrics, that outpace and/or eliminate competition from charters and private schools.
- District offers a safe environment, as recognized by the community, to be free of violence and/or threats, and / or has a qualified response team to address natural and preventable disasters to minimize harm.
- District offers a physical environment, as recognized by the community, that is welcoming, ergonomically correct, and free of toxins.
- District easily attracts and retains talent at all levels of the organization, including the Governing Board, administration, and staff.
- District administration has clearly communicated a vision and mission to which all employees understand and can express, which is reflected in the district’s policies, procedures, and educational, administrative, & financial activities.
- Human resources, education and business administration understand and implement the law, compliance, and best practice of their field, competently supervising their staff, and integrating their disciplines from the executive level through the entire organization, as measured by accountability metrics, audits, and community satisfaction.

## APPENDIX A

USE OF SCHOOL PROPERTY PROCEEDS<sup>9</sup>

Under certain circumstances, a school district must request authorization to transfer surplus site sale proceeds into its general fund account under this service.

Education Code Section 17462 provides guidance for school districts to transfer surplus site sale proceeds into their general fund account. School districts that utilize the authority authorized by Education Code Section 17462 are prohibited from participating in any State Allocation Board (SAB) administered programs for five years, as outlined in Education Code Section 17462(d). Prior to transferring site sale proceeds into their general fund account, school districts must submit the following documents to the Office of Public School Construction (OPSC) in order for their request to be processed:

1. A letter to the Executive Officer of OPSC requesting authorization, pursuant to Education Code Section 17462, from the SAB to transfer site sale proceeds into the district's general fund account for a one-time general fund purpose.
2. A school board resolution stating the following:
  - The school district has presented a plan to the local school board detailing the source and use of the funds and explaining why the expenditure will not result in on-going fiscal obligations for the district.
  - The school district certifies to the SAB that:
    - The District has no major deferred maintenance needs that cannot be covered by existing capital outlay resources.
    - The sale of the property does not violate the provisions of any local bond act.
    - The District has no anticipated need for additional sites or construction for the next ten years.
  - The proceeds of the sale will be used for a one-time general fund purpose.
  - The school district acknowledges that it will be ineligible for any SAB-administered program funding for at least five years after the transfer of funds into its general fund.
  - The school district acknowledges that the SAB will reduce any state funding received by the district by the amount of any remaining funds derived from the sale of the surplus property and any unencumbered interest earned on those funds.
3. A copy of the original site purpose agreement that delineates the original purchase price, the number of acres on the site, and the sources of funds used to purchase the site.
4. Documentation of the number of acres being sold from the site.

The school districts' request must be presented to the SAB for approval prior to the funds being transferred by the school district.

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<sup>9</sup> Office of Public School Construction website, December 19, 2024.

**Pursuant to Education Code Section 17463.7(g), the following information only applies to property where the transaction for the sale or lease of surplus property was initiated before June 30, 2024. Proceeds from as a result of that sale that are received after June 30, 2024 shall still be considered deposited for the purposes of the section.**

Education Code Section 17463.7 provides guidance for school districts to transfer surplus site sale proceeds into their general fund account. Prior to transferring site sale proceeds into their general fund account, school districts must submit the following documents to OPSC in order for their request to be processed:

1. A letter to the Executive Officer of the State Allocation Board and the OPSC requesting authorization, pursuant to EC Section 17463.7, from the Board to transfer site sale proceeds into the school district's general fund account for a one-time general fund purpose.
2. A school board resolution stating the following:
  - The school district has presented a plan to the local school board at a public meeting detailing the source and intended use of the surplus property proceeds and describing why the expenditure will not result in ongoing fiscal obligations for the district.
  - The school district certifies to the Board that:
    - The sale of the property does not violate the provisions of any local bond act.
    - The real property is not suitable to meet projected school construction needs for the next ten years.
  - The property sold was purchased entirely with nonstate funds.
  - The proceeds of the sale will be used for a one-time general fund purpose.
  - The school district acknowledges that the Board will reduce any state financial hardship funding received by the district equal to the amount of the sale of surplus real property used for a one-time expenditure.
3. A copy of the original site purchase agreement that delineates the original purchase price, the number of acres on the site, and the sources of funds used to purchase the site.
4. Documentation of the number of acres being sold from the site.

## Eide Bailly Prepared Multi-Year Projection Based on District Information Available November 25, 2024

|                              | 2023-24<br>Unaudited<br>Actuals | 2023-24<br>Unaudited<br>Actuals | 2023-24<br>Unaudited<br>Actuals | 2024-25<br>Adopted<br>Budget | 2024-25<br>Adopted<br>Budget | 2024-25<br>Adopted<br>Budget |
|------------------------------|---------------------------------|---------------------------------|---------------------------------|------------------------------|------------------------------|------------------------------|
|                              | Unrestricted                    | Restricted                      | Total                           | Unrestricted                 | Restricted                   | Total                        |
| LCFF                         | 141,064,340                     | -                               | 141,064,340                     | 135,676,666                  | -                            | 135,676,666                  |
| Federal Revenue              | -                               | 24,819,433                      | 24,819,433                      | -                            | 13,229,970                   | 13,229,970                   |
| State Revenue                | 4,048,975                       | 34,838,208                      | 38,887,182                      | 3,354,273                    | 34,769,803                   | 38,124,076                   |
| Local Revenue                | 10,307,488                      | 4,286,434                       | 14,593,922                      | 11,954,684                   | 1,451,678                    | 13,406,362                   |
| <b>Total Revenue</b>         | <b>155,420,804</b>              | <b>63,944,074</b>               | <b>219,364,878</b>              | <b>150,985,623</b>           | <b>49,451,451</b>            | <b>200,437,074</b>           |
|                              |                                 |                                 | -                               |                              |                              | -                            |
| Certificated Salaries        | 49,680,027                      | 15,567,442                      | 65,247,469                      | 47,189,771                   | 14,031,936                   | 61,221,707                   |
| Classified Salaries          | 20,593,043                      | 18,479,544                      | 39,072,587                      | 25,437,455                   | 11,940,271                   | 37,377,726                   |
| Benefits                     | 24,384,341                      | 18,988,840                      | 43,373,181                      | 32,640,941                   | 18,165,876                   | 50,806,817                   |
| Supplies                     | 3,209,675                       | 9,414,420                       | 12,624,096                      | 4,040,116                    | 7,546,988                    | 11,587,104                   |
| Services                     | 21,516,552                      | 40,496,677                      | 62,013,230                      | 20,456,599                   | 26,627,116                   | 47,083,715                   |
| CapOut                       | 2,421,981                       | 1,782,397                       | 4,204,378                       | 489,353                      | -                            | 489,353                      |
| Other Outgo                  | 23,430                          | -                               | 23,430                          | -                            | -                            | -                            |
| Indirect                     | (6,690,062)                     | 6,079,575                       | (610,487)                       | (4,782,354)                  | 3,930,028                    | (852,326)                    |
| <b>Expenses</b>              | <b>115,138,988</b>              | <b>110,808,896</b>              | <b>225,947,883</b>              | <b>125,471,881</b>           | <b>82,242,215</b>            | <b>207,714,096</b>           |
|                              |                                 |                                 | -                               |                              |                              | -                            |
| <b>Surplus Deficit</b>       | <b>40,281,816</b>               | <b>(46,864,821)</b>             | <b>(6,583,005)</b>              | <b>25,513,742</b>            | <b>(32,790,764)</b>          | <b>(7,277,022)</b>           |
|                              |                                 |                                 | -                               |                              |                              | -                            |
| Transfer In                  | 5,022,645                       | -                               | 5,022,645                       | 775,000                      | -                            | 775,000                      |
| Transfer out                 | 7,356,257                       | -                               | 7,356,257                       | -                            | -                            | -                            |
|                              |                                 |                                 | -                               |                              |                              | -                            |
| Contribution                 | (40,621,939)                    | 40,621,939                      | -                               | (31,675,041)                 | 31,675,041                   | -                            |
|                              |                                 |                                 | -                               |                              |                              | -                            |
| Other In / Out               | (42,955,552)                    | 40,621,939                      | (2,333,612)                     | (30,900,041)                 | 31,675,041                   | 775,000                      |
|                              |                                 |                                 | -                               |                              |                              | -                            |
| <b>Total Surplus/Deficit</b> | <b>(2,673,736)</b>              | <b>(6,242,882)</b>              | <b>(8,916,618)</b>              | <b>(5,386,299)</b>           | <b>(1,115,723)</b>           | <b>(6,502,022)</b>           |
|                              |                                 |                                 | -                               |                              |                              | -                            |
| 9791                         | 46,577,106                      | 39,002,199                      | 21,343,531                      | 34,713,115                   | 19,790,851                   | 50,144,290                   |
| 9793                         | 3,220,939                       | -                               | -                               | -                            | -                            | 103,506                      |
| 9795                         | -                               | -                               | -                               | -                            | -                            | -                            |
| <b>Ending Balance</b>        | <b>47,124,310</b>               | <b>32,759,318</b>               | <b>79,883,627</b>               | <b>29,326,816</b>            | <b>18,675,128</b>            | <b>48,001,944</b>            |

Eide Bailly Prepared Multi-Year Projection Based on District Information Available November 25, 2024

|                            | 2024-25<br>Revised<br>Budget 11-25-<br>24 (almost FI)<br>Includes Audit<br>Report/EB<br>LCFF | 2024-25<br>Revised<br>Budget 11-25-<br>24 (almost FI)<br>Includes Audit<br>Report/EB<br>LCFF | 2024-25<br>Revised<br>Budget 11-25-<br>24 (almost FI)<br>Includes Audit<br>Report/EB<br>LCFF | 2025-26 MYP         | 2025-26 MYP         | 2025-26 MYP         |
|----------------------------|--|--|--|---------------------|---------------------|---------------------|
|                            | Unrestricted   | Restricted   | Total  | Unrestricted        | Restricted          | Total               |
| <b>LCFF</b>                | 135,298,486  | -  | 135,298,486  | 132,953,914         | -                   | 132,953,914         |
| Federal Revenue            | -  | 20,034,085   | 20,034,085   | -                   | 16,511,911          | 16,511,911          |
| State Revenue              | 3,378,561  | 36,540,143   | 39,918,704   | 3,378,561           | 35,107,570          | 38,486,131          |
| Local Revenue              | 5,954,684  | 2,276,194  | 8,230,878  | 2,490,763           | 2,276,194           | 4,766,957           |
| <b>Total Revenue</b>       | <b>144,631,731</b>   | <b>58,850,422</b>  | <b>203,482,153</b>   | <b>138,823,238</b>  | <b>53,895,675</b>   | <b>192,718,913</b>  |
|                            |  |  | -  |                     |                     | -                   |
| Certificated Salarie       | 46,684,431   | 15,033,448   | 61,717,879   | 49,305,061          | 13,647,176          | 62,952,237          |
| Classified Salaries        | 25,289,189   | 11,181,032   | 36,470,221   | 26,935,188          | 9,785,940           | 36,721,128          |
| Benefits                   | 31,679,740   | 17,464,568   | 49,144,308   | 32,980,989          | 16,294,470          | 49,275,459          |
| Supplies                   | 9,687,020  | 10,220,322   | 19,907,342   | 9,687,020           | 8,067,061           | 17,754,081          |
| Services                   | 26,877,105   | 43,626,332   | 70,503,437   | 28,411,706          | 31,842,437          | 60,254,143          |
| CapOut                     | 1,110,530  | 352,477  | 1,463,007  | 1,110,530           | 22,000              | 1,132,530           |
| Other Outgo                | 670,790  | -  | 670,790  | 9,913               | -                   | 9,913               |
| Indirect                   | (5,846,879)  | 4,911,847  | (935,032)  | (4,989,625)         | 4,054,593           | (935,032)           |
| <b>Expenses</b>            | <b>136,151,926</b>   | <b>102,790,026</b>   | <b>238,941,952</b>   | <b>143,450,782</b>  | <b>83,713,678</b>   | <b>227,164,459</b>  |
|                            |  |  | -  |                     |                     | -                   |
| <b>Surplus Deficit</b>     | <b>8,479,805</b>   | <b>(43,939,604)</b>  | <b>(35,459,799)</b>  | <b>(4,627,544)</b>  | <b>(29,818,003)</b> | <b>(34,445,546)</b> |
|                            |  |  | -  |                     |                     | -                   |
| Transfer In                | 7,095,088  | -  | 7,095,088  | 7,095,088           | -                   | 7,095,088           |
| Transfer out               | 6,320,088  | -  | 6,320,088  | 6,320,088           | -                   | 6,320,088           |
|                            |  |  | -  |                     |                     | -                   |
| Contribution               | (31,326,489)   | 31,326,489   | -  | (31,713,881)        | 31,713,881          | -                   |
|                            |  |  | -  |                     |                     | -                   |
| Other In / Out             | (30,551,489)   | 31,326,489   | 775,000  | (30,938,881)        | 31,713,881          | 775,000             |
|                            |  |  | -  |                     |                     | -                   |
| <b>Total Surplus/Defic</b> | <b>(22,071,684)</b>  | <b>(12,613,115)</b>  | <b>(34,684,799)</b>  | <b>(35,566,425)</b> | <b>1,895,879</b>    | <b>(33,670,546)</b> |
|                            |  |  | -  |                     |                     | -                   |
| 9791                       | 47,124,310   | 32,759,318   | 79,883,627   | 26,835,853          | 20,146,203          | 46,982,055          |
| 9793                       | 1,783,227  | -  | 1,783,227  | -                   | -                   | -                   |
| 9795                       | -  | -  | -  | -                   | -                   | -                   |
| <b>Ending Balance</b>      | <b>26,835,853</b>  | <b>20,146,203</b>  | <b>46,982,055</b>  | <b>(8,730,572)</b>  | <b>22,042,081</b>   | <b>13,311,509</b>   |

## Eide Bailly Prepared Multi-Year Projection Based on District Information Available November 25, 2024

|                            | 2026-27 MYP         | 2026-27 MYP         | 2026-27 MYP         | 2027-28-MYP         | 2027-28-MYP         | 2027-28-MYP         |
|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                            | Unrestricted        | Restricted          | Total               | Unrestricted        | Restricted          | Total               |
| <b>LCFF</b>                | <b>133,929,723</b>  | <b>-</b>            | <b>133,929,723</b>  | <b>134,938,008</b>  | <b>-</b>            | <b>134,938,008</b>  |
| Federal Revenue            | -                   | 16,511,911          | 16,511,911          | -                   | 16,511,911          | 16,511,911          |
| State Revenue              | 3,378,561           | 35,107,570          | 38,486,131          | 3,378,561           | 35,107,570          | 38,486,131          |
| Local Revenue              | 2,490,763           | 2,276,194           | 4,766,957           | 2,490,763           | 2,276,194           | 4,766,957           |
| <b>Total Revenue</b>       | <b>139,799,047</b>  | <b>53,895,675</b>   | <b>193,694,722</b>  | <b>140,807,332</b>  | <b>53,895,675</b>   | <b>194,703,007</b>  |
|                            |                     |                     | -                   |                     |                     | -                   |
| Certificated Salarie       | 50,291,162          | 13,920,119          | 64,211,281          | 51,296,985          | 14,198,522          | 65,495,507          |
| Classified Salaries        | 27,204,540          | 9,883,800           | 37,088,339          | 27,476,585          | 9,982,638           | 37,459,223          |
| Benefits                   | 33,089,807          | 16,334,005          | 49,423,812          | 33,419,526          | 16,453,797          | 49,873,323          |
| Supplies                   | 9,687,020           | 8,055,018           | 17,742,038          | 9,687,020           | 8,055,018           | 17,742,038          |
| Services                   | 28,411,706          | 31,842,437          | 60,254,143          | 28,411,706          | 31,842,437          | 60,254,143          |
| CapOut                     | 1,110,530           | 22,000              | 1,132,530           | 1,110,530           | 22,000              | 1,132,530           |
| Other Outgo                | 9,913               | -                   | 9,913               | 9,913               | -                   | 9,913               |
| Indirect                   | (4,989,625)         | 4,054,593           | (935,032)           | (4,989,625)         | 4,054,593           | (935,032)           |
| <b>Expenses</b>            | <b>144,815,053</b>  | <b>84,111,972</b>   | <b>228,927,025</b>  | <b>146,422,640</b>  | <b>84,609,005</b>   | <b>231,031,645</b>  |
|                            |                     |                     | -                   |                     |                     | -                   |
| <b>Surplus Deficit</b>     | <b>(5,016,006)</b>  | <b>(30,216,297)</b> | <b>(35,232,303)</b> | <b>(5,615,308)</b>  | <b>(30,713,330)</b> | <b>(36,328,638)</b> |
|                            |                     |                     | -                   |                     |                     | -                   |
| Transfer In                | 7,095,088           | -                   | 7,095,088           | 7,095,088           | -                   | 7,095,088           |
| Transfer out               | 6,320,088           | -                   | 6,320,088           | 6,320,088           | -                   | 6,320,088           |
|                            |                     |                     | -                   |                     |                     | -                   |
| Contribution               | (32,074,571)        | 32,074,571          | -                   | (32,571,604)        | 32,571,604          | -                   |
|                            |                     |                     | -                   |                     |                     | -                   |
| Other In / Out             | (31,299,571)        | 32,074,571          | 775,000             | (31,796,604)        | 32,571,604          | 775,000             |
|                            |                     |                     | -                   |                     |                     | -                   |
| <b>Total Surplus/Defic</b> | <b>(36,315,577)</b> | <b>1,858,274</b>    | <b>(34,457,303)</b> | <b>(37,411,912)</b> | <b>1,858,274</b>    | <b>(35,553,638)</b> |
|                            |                     |                     | -                   |                     |                     | -                   |
| 9791                       | (8,730,572)         | 22,042,081          | 13,311,509          | (45,046,149)        | 23,900,355          | (21,145,794)        |
| 9793                       |                     | -                   | -                   |                     | -                   | -                   |
| 9795                       | -                   | -                   | -                   | -                   | -                   | -                   |
| <b>Ending Balance</b>      | <b>(45,046,149)</b> | <b>23,900,355</b>   | <b>(21,145,794)</b> | <b>(82,458,061)</b> | <b>25,758,629</b>   | <b>(56,699,431)</b> |



# VALLEJO UNIFIED SCHOOL DISTRICT: APPENDICES

## California State Emergency Loan Recipients

California state emergency loans to school districts from 1990 to 2022.

| District   | Tenure of Administrators and Trustees                                     | Legal Authority (in addition to Assembly Bill (AB) 1200) | Date of Issue                    | Amount of State Loan   | Interest Rate | Date/Amount of I-Bank Refinance & Remaining General Fund (GF) Loan  | Outstanding Balance of I-Bank and General Fund Loans | Amount of Annual Loan Payment; Due Date   | Amount Paid By District Including Principal & Interest | Pay Off Date           |
|--|---|--|----------------------------------|--|---------------|---|--|---|--|------------------------|
| Inglewood Unified  | Administrator<br>10/03/12–<br>Present                                     | Senate Bill (SB) 533, Ch 325/12<br><br>AB 86, Ch 48/13   | 11/15/12<br>11/30/12<br>02/13/13 | \$7,000,000<br>\$12,000,000<br>\$10,000,000<br>=<br><b>\$29,000,000</b><br><br>(\$55 million authorized) | 2.307%        | 11/01/13<br>\$29,086,724<br>refinanced by GF  | \$20,975,274<br>as of<br>07/01/22                    | GF: \$1.8 million due each November, 2014–2033; \$2.6 million due November 2034. (November 2018 payment was deferred to November 2034 with interest.)       | \$12,823,888   | 11/01/34<br>GF         |
| South Monterey County Joint Union High (formerly King City Joint Union High) | Administrator<br>07/23/09–<br>06/30/16<br>Trustee<br>07/01/16–<br>Present | SB 130, Ch 20/09<br><br>SB97, Ch 357/13                  | 07/22/09<br>03/11/10<br>04/14/10 | \$2,000,000<br>\$3,000,000<br>\$8,000,000<br>=<br><b>\$13,000,000</b>                                    | 2.307%        | 04/14/10<br>I-Bank refinanced \$5 million GF loan, plus provided additional \$8 million (total I-bank loan of \$14,395,000 including principal, accrued | \$6,307,855<br>as of<br>07/01/22                     | I-Bank: \$1.2 million total due during the period July through October, 2010–2012; \$9 million total due during the period July through October, 2013–2028. | \$12,639,237   | October 2028<br>I-bank |

|                        |  |                   |                      |   |        | interest, and expenses)   |                             |   |               |  |
|------------------------|--|-------------------|----------------------|---|--------|---|-----------------------------|---|---------------|--|
| Vallejo City Unified   | Administrator 06/22/04–03/31/13; Trustee 07/13/07–Present  | SB 1190, Ch 53/04 | 06/23/04<br>08/13/07 | \$50,000,000<br>\$10,000,000<br>=<br><b>\$60,000,000</b>  | 1.5%   | 12/01/05<br>\$20,642,992<br>refinanced by sale of I-Bank bonds of \$21,205,000 (principal and accrued interest)<br>\$25,000,000 - GF<br>\$10,000,000 - GF | \$7,420,366 as of 07/01/22  | I-Bank: \$1.3 million total due during the period July through January, 2006–2024; GF: \$1.6 million due each June, 2007–2024; GF: \$670,797 due each August, 2008–2024 | \$61,812,324  | January 2024<br>I-bank<br><br>08/13/24<br>GF |
| Oakland Unified        | Administrator 06/16/03–06/28/09; Trustee 07/01/08–Present  | SB 39, Ch 14/03   | 06/04/03<br>06/28/06 | \$65,000,000<br>\$35,000,000<br>=<br><b>\$100,000,000</b> | 1.778% | 12/01/05<br>\$50,830,859<br>refinanced by sale of I-Bank bonds of \$59,565,000 (principal and accrued interest)<br>\$35,000,000 - GF                      | \$11,842,547 as of 07/01/22 | I-Bank: \$3.8 million total due during the period July through January, 2006–2023; GF: \$2.1 million due each June, 2007–2026   | \$107,438,594 | January 2023<br>I-bank<br><br>6/29/26<br>GF  |
| West Fresno Elementary | Administrator 03/19/03–06/30/11; Trustee 08/26/08–12/04/09 | AB 38, Ch 1/03    | 12/29/03             | \$1,300,000<br>(\$2,000,000 authorized)                   | 1.93%  | N/a   | -0-                         | N/a   | \$1,425,773   | 12/31/10<br>GF                               |
| Emery Unified          | Administrator 08/07/01–06/30/04; Trustee 07/1/04–07/29/11  | AB 96, Ch 135/01  | 09/21/01             | \$1,300,000<br>(\$2,300,000 authorized)                   | 4.19%  | N/a   | -0-                         | N/a   | \$1,742,501   | 06/20/11<br>GF                               |

|   |   |   |                                  |  |                             |  |     |     |              |                    |
|---|---|---|----------------------------------|--|-----------------------------|--|-----|-----|--------------|--------------------|
| Compton Unified                                       | Administrators<br>07/93–<br>12/10/01;<br>Trustee<br>12/11/01–<br>06/02/03   | AB 657,<br>Ch 78/93<br><br>AB 1708,<br>Ch 924/93        | 07/19/93<br>10/14/93<br>06/29/94 | \$3,500,000<br>\$7,000,000<br>\$9,451,259<br>=<br><b>\$19,951,259</b>  | 4.40%<br>4.313%<br>4.387%   | N/a  | -0- | N/a | \$24,358,061 | 06/30/01<br>GF     |
| Coachella Valley Unified                              | Administrators<br>05/26/92–<br>09/30/96;<br>Trustee<br>10/01/96–<br>12/20/01  | SB 1278,<br>Ch 59/92                                    | 06/16/92<br>01/26/93             | \$5,130,708<br>\$2,169,292<br>= <b>\$7,300,000</b>                     | 5.338%<br>4.493%            | N/a  | -0- | N/a | \$9,271,830  | 12/20/01<br>GF     |
| West Contra Costa Unified (formerly Richmond Unified) | Pre-AB 1200<br>Trustee<br>07/01/90–<br>05/01/91;<br>Administrator<br>05/02/91–<br>05/03/92;<br>Trustee<br>05/04/92–<br>05/31/12 | AB 1202,<br>Ch 171/90<br><br>Superior<br>Court<br>Order | 08/1/90<br>01/1/91<br>07/1/91    | \$2,000,000<br>\$7,525,000<br>\$19,000,000<br>=<br><b>\$28,525,000</b> | 1.532%<br>2004<br>refi rate | 12/01/05<br>\$15,475,263<br>refinanced by sale<br>of \$15,735,000 in<br>I-Bank bonds<br>(principal plus<br>accrued interest) | -0- | N/a | \$47,688,620 | 05/30/12<br>I-bank |

Questions: [Fiscal Oversight & Support | sacsinfo@cde.ca.gov](#)

Last Reviewed: Monday, August 1, 2022

## State Emergency Loans

Information on emergency loans made to school districts.

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Assembly Bill 1840 (Chapter 426, Statutes of 2018) made several changes to the emergency loan process effective September 17, 2018, including shifting a number of responsibilities from the State Superintendent of Public Instruction (SSPI) to the County Superintendent of Schools (CSS), with concurrence of the SSPI and President of the State Board of Education (SBE).

If a school district governing board determines during a fiscal year that it has insufficient funds to meet its current obligations, it may request an emergency apportionment loan. Statute specifies legislative intent that emergency apportionment loans are to be provided only through a legislative appropriation.

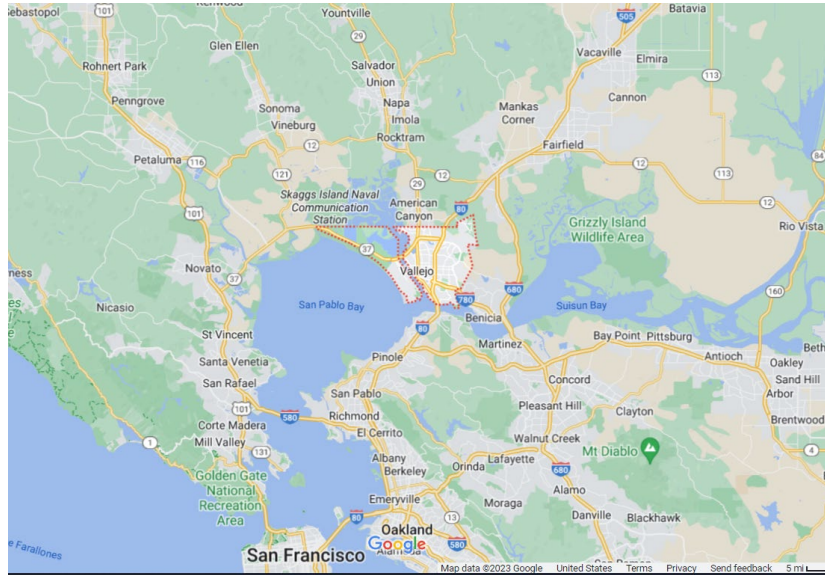
General statutory conditions for acceptance of a loan that exceeds 200 percent of the amount of the district's recommended reserve include:

- The CSS shall assume all the legal rights, duties, and powers of the governing board of the district.
- The CSS, with concurrence from the SSPI and President of the SBE, shall appoint an administrator to act on behalf of the CSS.
- The school district governing board shall be advisory only and report to the administrator.
- The authority of the CSS and administrator shall continue until certain conditions are met. At that time, the CSS, SSPI, and President of the SBE shall appoint, by majority vote, a trustee to replace the administrator. Trustee authority is addressed below.

General statutory conditions for acceptance of a loan that equals or is less than 200 percent of the amount of the district's recommended reserve include:

- The CSS, SSPI, and President of the SBE shall appoint, by majority vote, a trustee to monitor and review the operation of the district.
- The school district governing board shall retain governing authority but the trustee shall have the authority to stay and rescind any action of the local district governing board that, in the judgment of the trustee, may affect the financial condition of the district.
- The authority of the appointed trustee shall continue until the district has adequate fiscal systems and controls in place, the SSPI has determined that the district's future compliance with the fiscal plan approved for the district is probable, the trustee has served at least three years, and the CSS, SSPI, and President of the SBE terminate the appointment. After the trustee is terminated and until the emergency loan is repaid, the CSS shall have the authority to stay and rescind any action of the local governing board that affects the financial condition of the district.

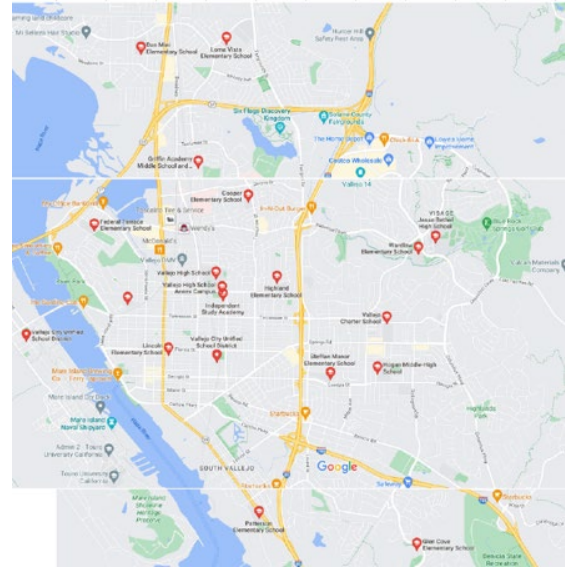
# VALLEJO ENCOMPASSES 52 SQUARE MILES OF NORTHERN CALIFORNIA



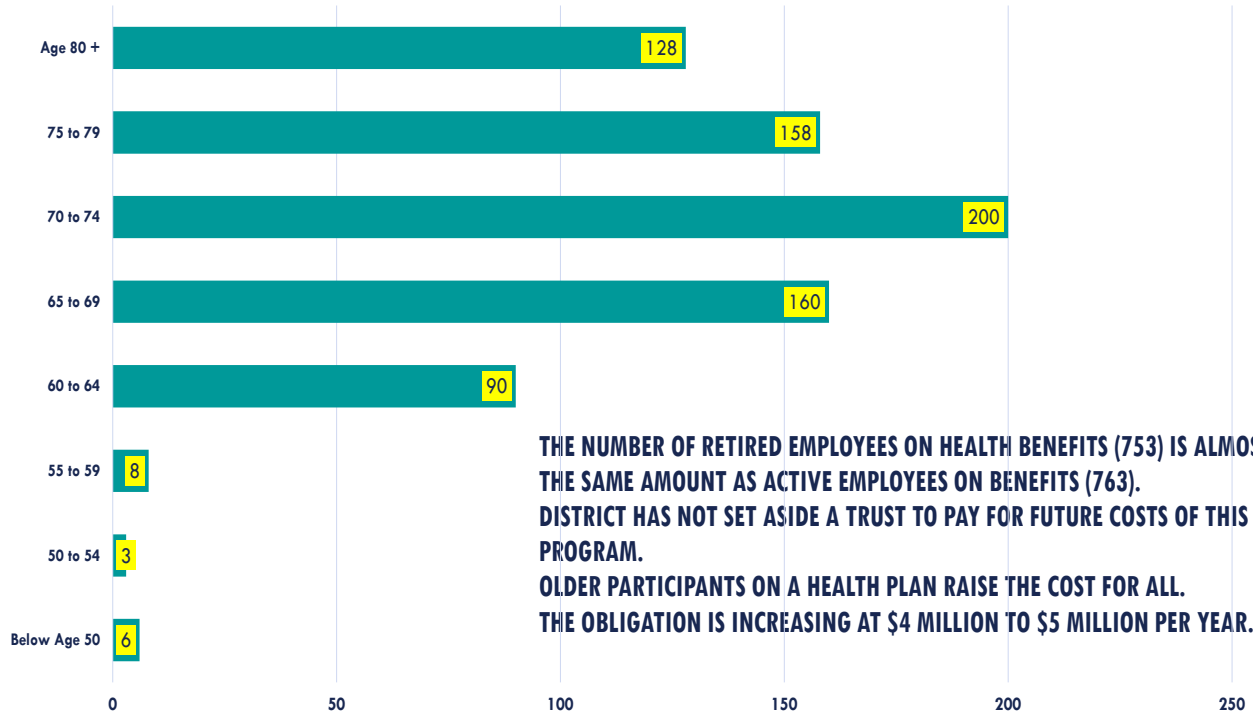
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## VALLEJO CITY UNIFIED SCHOOL DISTRICT SITES

- The district operates fourteen elementary schools, one middle school, two comprehensive high schools, a continuation school, an adult education school, and a charter elementary school



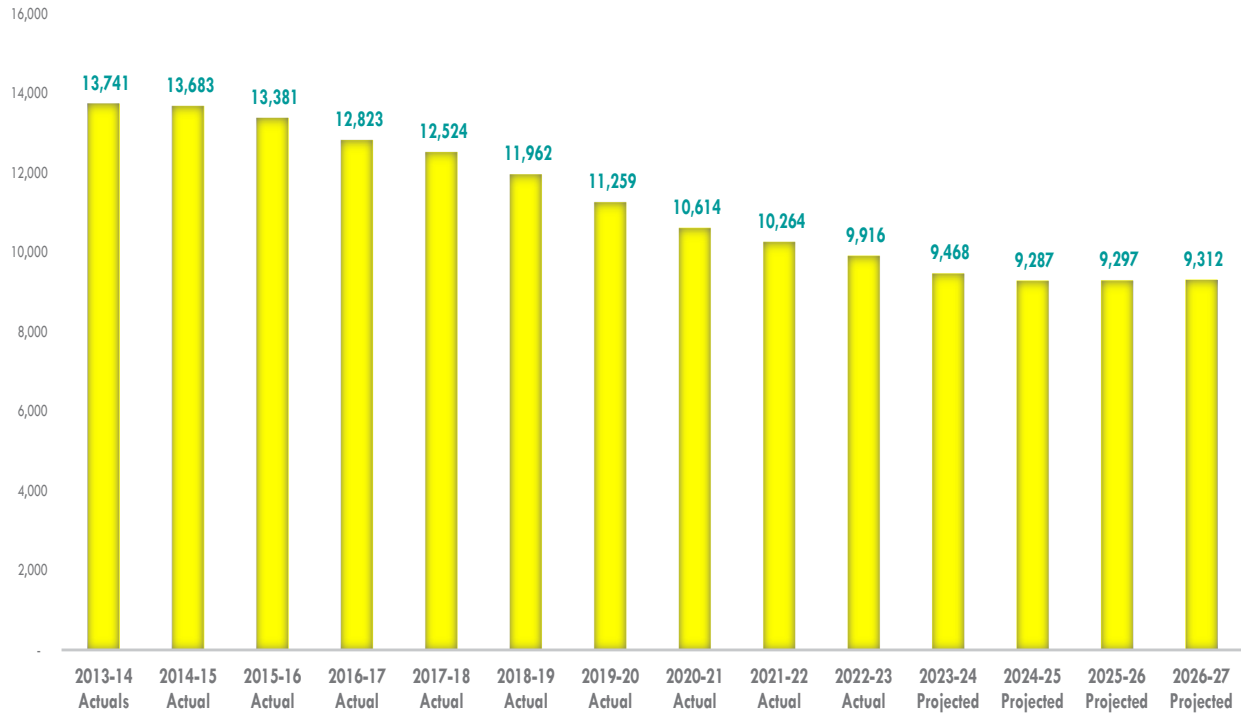
### Vallejo City Unified School District Retired Employees on Benefits



**THE NUMBER OF RETIRED EMPLOYEES ON HEALTH BENEFITS (753) IS ALMOST THE SAME AMOUNT AS ACTIVE EMPLOYEES ON BENEFITS (763). DISTRICT HAS NOT SET ASIDE A TRUST TO PAY FOR FUTURE COSTS OF THIS PROGRAM. OLDER PARTICIPANTS ON A HEALTH PLAN RAISE THE COST FOR ALL. THE OBLIGATION IS INCREASING AT \$4 MILLION TO \$5 MILLION PER YEAR.**

**VALLEJO CITY UNIFIED SCHOOL DISTRICT HAS LOST 3,825 STUDENTS, FROM 13,741 IN 2013-14 TO 9,916 IN 2022-23, OR 28% OF ITS ENROLLMENT. THIS LOSS EQUATES TO THE ENROLLMENT OF 7 ELEMENTARY SCHOOLS OR 2 HIGH SCHOOLS OR 5 MIDDLE SCHOOLS.**

**DISTRICT ENROLLMENT**

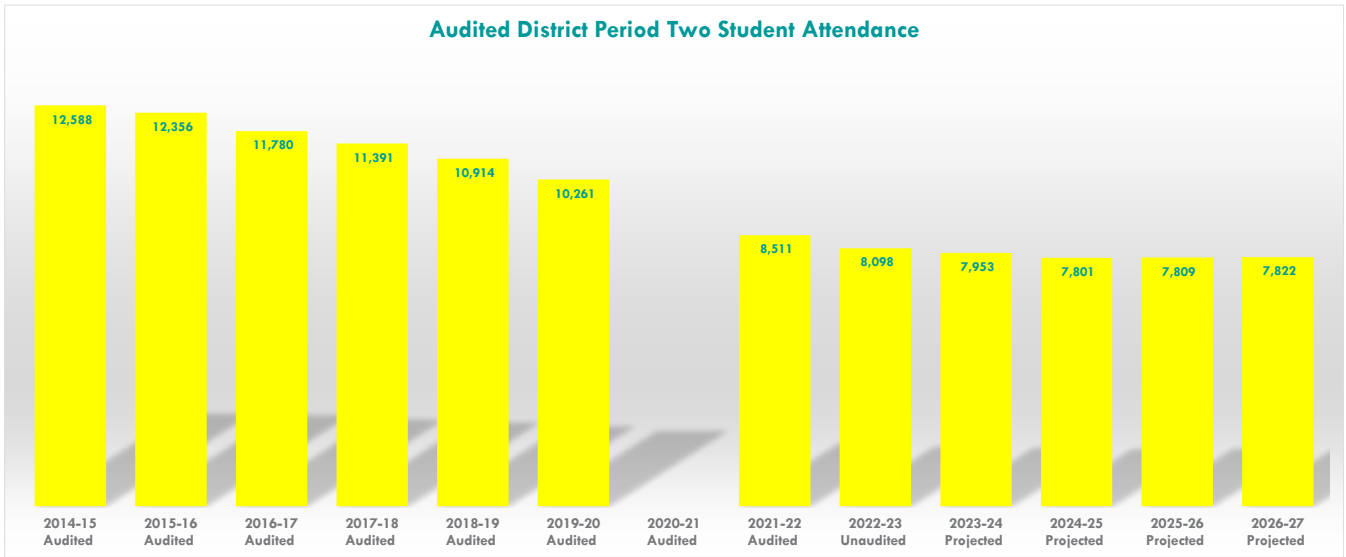


**THE DISTRICT IS LOSING APPROXIMATELY ONE SMALL SCHOOL SITE PER YEAR OF STUDENTS.**

**CHANGE IN DISTRICT ENROLLMENT**

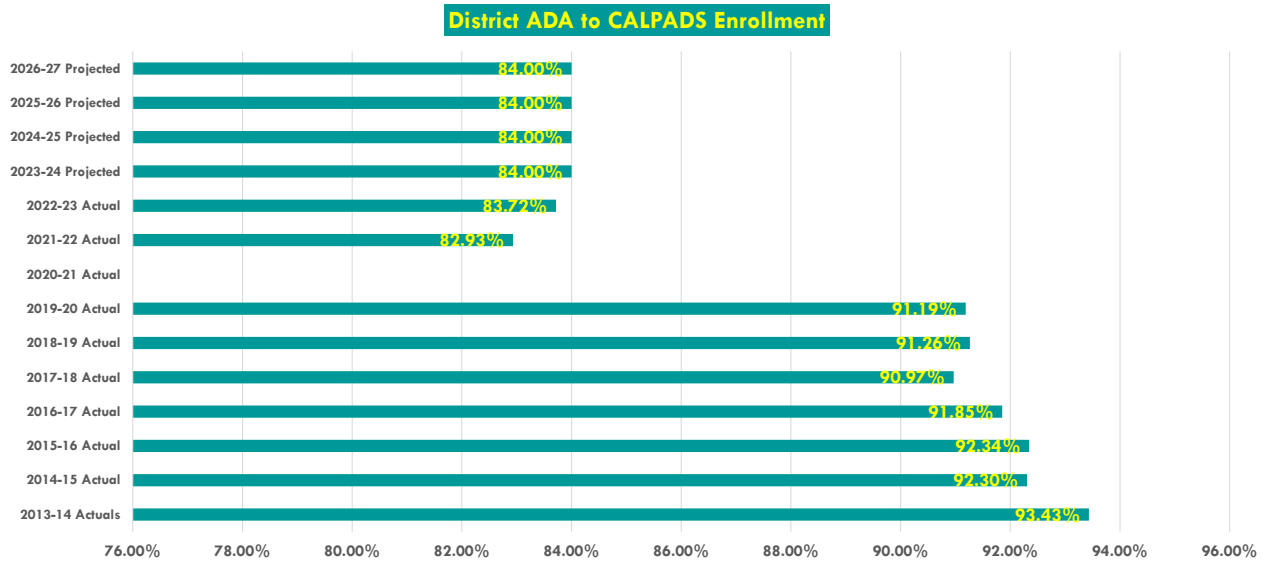


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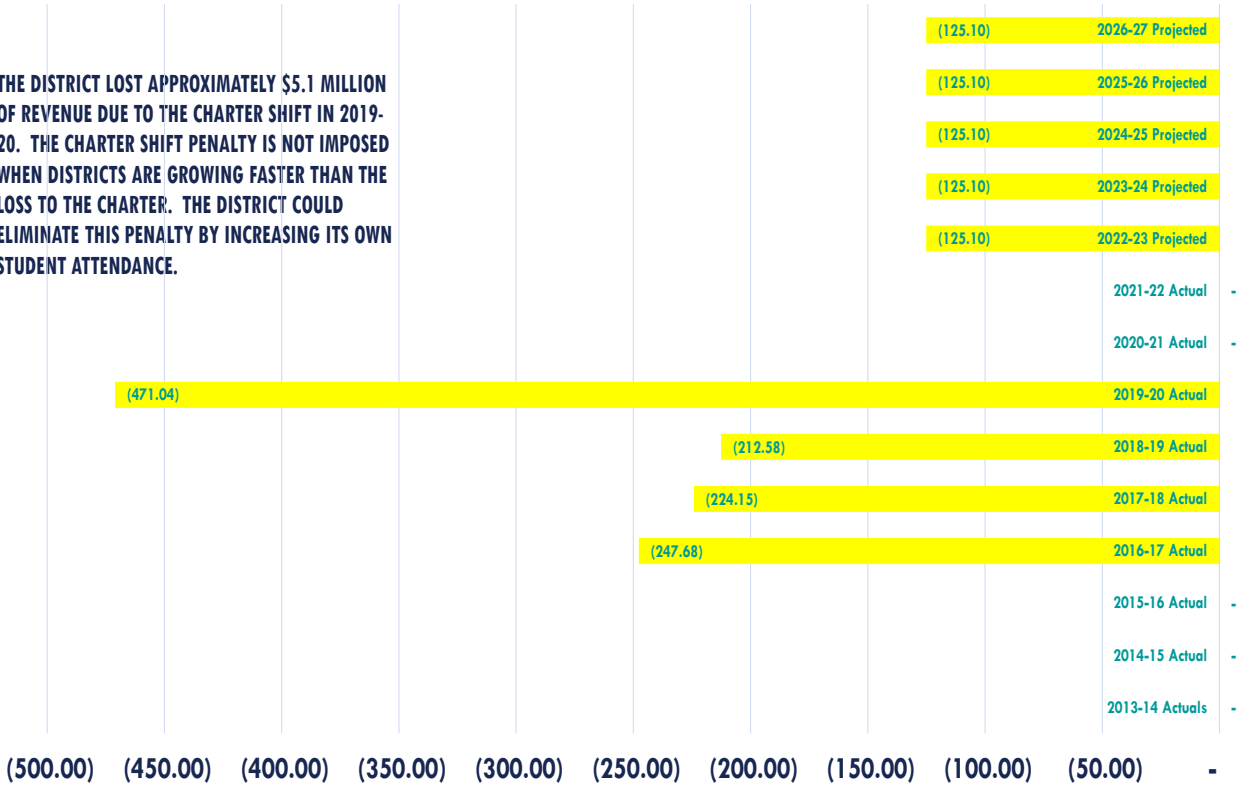
**THE DISTRICT IS ALMOST HALF THE ATTENDANCE OF A DECADE AGO**

**THE LOSS OF 12% STUDENT ATTENDANCE IS COSTING THE DISTRICT APPROXIMATELY \$18 MILLION IN 2023-24 DOLLARS.**



**ADA Loss to District Sponsored Charters As Reported to CDE**

**THE DISTRICT LOST APPROXIMATELY \$5.1 MILLION OF REVENUE DUE TO THE CHARTER SHIFT IN 2019-20. THE CHARTER SHIFT PENALTY IS NOT IMPOSED WHEN DISTRICTS ARE GROWING FASTER THAN THE LOSS TO THE CHARTER. THE DISTRICT COULD ELIMINATE THIS PENALTY BY INCREASING ITS OWN STUDENT ATTENDANCE.**



8

# VCUSD FAILS TO MEET RESERVE IN 2024-25

| Description                       | 2023-24 Projected Budget |                     |                    | 2024-25 Projected Budget |                     |                     | 2025-26 Projected Budget |                     |                     | 2026-27 Projected Budget |                     |                     |
|-----------------------------------|--------------------------|---------------------|--------------------|--------------------------|---------------------|---------------------|--------------------------|---------------------|---------------------|--------------------------|---------------------|---------------------|
|                                   | Unrestricted             | Restricted          | Combined           | Unrestricted             | Restricted          | Combined            | Unrestricted             | Restricted          | Combined            | Unrestricted             | Restricted          | Combined            |
| <b>REVENUES</b>                   |                          |                     |                    |                          |                     |                     |                          |                     |                     |                          |                     |                     |
| General Purpose Revenue (A)       | 140,092,308              | -                   | 140,092,308        | 134,297,069              | -                   | 134,297,069         | 129,555,274              | -                   | 129,555,274         | 131,122,173              | -                   | 131,122,173         |
| Federal Revenue (B)               | -                        | 16,821,698          | 16,821,698         | -                        | 9,339,165           | 9,339,165           | -                        | 9,339,165           | 9,339,165           | -                        | 9,339,165           | 9,339,165           |
| State Revenue (C)                 | 4,003,088                | 32,817,519          | 36,820,607         | 3,968,088                | 32,749,794          | 36,717,882          | 3,949,088                | 31,532,671          | 35,481,759          | 3,943,088                | 30,603,645          | 34,546,733          |
| Local Revenue (D)                 | 1,959,616                | 766,651             | 2,726,267          | 1,959,616                | 766,651             | 2,726,267           | 1,959,616                | 766,651             | 2,726,267           | 1,959,616                | 766,651             | 2,726,267           |
| <b>TOTAL REVENUES</b>             | <b>146,055,012</b>       | <b>50,405,868</b>   | <b>196,460,880</b> | <b>140,224,773</b>       | <b>42,855,610</b>   | <b>183,080,383</b>  | <b>135,463,978</b>       | <b>41,638,487</b>   | <b>177,102,465</b>  | <b>137,024,877</b>       | <b>40,709,461</b>   | <b>177,734,338</b>  |
| <b>EXPENDITURES</b>               |                          |                     |                    |                          |                     |                     |                          |                     |                     |                          |                     |                     |
| Certificated Salaries (E)         | 46,143,158               | 14,426,037          | 60,569,195         | 47,018,774               | 13,545,223          | 60,563,997          | 47,841,603               | 13,782,264          | 61,623,867          | 48,760,105               | 14,023,454          | 62,783,559          |
| Classified Salaries (E)           | 22,204,895               | 11,870,160          | 34,075,055         | 22,449,149               | 10,079,512          | 32,528,661          | 22,696,090               | 10,190,387          | 32,886,477          | 22,945,747               | 10,302,481          | 33,248,228          |
| Benefits (F)                      | 30,367,016               | 18,451,697          | 48,818,713         | 30,945,729               | 17,161,509          | 48,107,238          | 31,412,838               | 17,334,985          | 48,747,823          | 31,875,656               | 17,522,184          | 49,397,840          |
| Books and Supplies (G)            | 6,961,302                | 4,439,428           | 11,400,730         | 6,679,078                | 5,051,494           | 11,730,572          | 5,941,136                | 5,060,618           | 11,001,754          | 6,421,065                | 5,069,747           | 11,490,812          |
| Other Services & Oper. Exp (H)    | 17,152,264               | 27,039,975          | 44,192,239         | 16,176,648               | 23,716,962          | 39,893,610          | 15,175,429               | 24,087,085          | 39,262,514          | 16,003,160               | 24,502,954          | 40,506,114          |
| Capital Outlay (I)                | 87,618                   | 200,000             | 287,618            | 87,618                   | 200,000             | 287,618             | 87,618                   | 200,000             | 287,618             | 87,618                   | 200,000             | 287,618             |
| Other Outgo (J)                   | -                        | -                   | -                  | -                        | -                   | -                   | -                        | -                   | -                   | -                        | -                   | -                   |
| Transfer of Indirect Costs (J)    | (4,992,547)              | 4,125,432           | (867,115)          | (4,835,481)              | 4,085,236           | (750,245)           | (4,835,481)              | 4,085,236           | (750,245)           | (4,835,481)              | 4,085,236           | (750,245)           |
| <b>TOTAL EXPENDITURES</b>         | <b>117,923,706</b>       | <b>80,552,729</b>   | <b>198,476,435</b> | <b>118,521,515</b>       | <b>73,839,936</b>   | <b>192,361,451</b>  | <b>118,319,232</b>       | <b>74,740,575</b>   | <b>193,059,807</b>  | <b>121,257,869</b>       | <b>75,706,056</b>   | <b>196,963,925</b>  |
| <b>EXCESS / (DEFICIENCY)</b>      | <b>28,131,306</b>        | <b>(30,146,861)</b> | <b>(2,015,555)</b> | <b>21,703,258</b>        | <b>(30,984,326)</b> | <b>(9,281,068)</b>  | <b>17,144,746</b>        | <b>(33,102,088)</b> | <b>(15,957,342)</b> | <b>15,767,008</b>        | <b>(34,996,595)</b> | <b>(19,229,587)</b> |
| <b>OTHER SOURCES/USES</b>         |                          |                     |                    |                          |                     |                     |                          |                     |                     |                          |                     |                     |
| Transfers In (K)                  | 775,000                  | -                   | 775,000            | 775,000                  | -                   | 775,000             | 775,000                  | -                   | 775,000             | 775,000                  | -                   | 775,000             |
| Transfers Out (L)                 | (2,676,140)              | -                   | (2,676,140)        | (2,676,140)              | -                   | (2,676,140)         | (434,643)                | -                   | (434,643)           | 236,147                  | -                   | 236,147             |
| Net Other Sources (Uses)          | -                        | -                   | -                  | -                        | -                   | -                   | -                        | -                   | -                   | -                        | -                   | -                   |
| Contributions to Restricted (M)   | (30,587,317)             | 30,587,317          | -                  | (30,984,326)             | 30,984,326          | -                   | (33,102,088)             | 33,102,088          | -                   | (34,996,595)             | 34,996,595          | -                   |
| <b>TOTAL OTHER SOURCES / USES</b> | <b>(32,488,457)</b>      | <b>30,587,317</b>   | <b>(1,901,140)</b> | <b>(32,885,466)</b>      | <b>30,984,326</b>   | <b>(1,901,140)</b>  | <b>(32,761,731)</b>      | <b>33,102,088</b>   | <b>340,357</b>      | <b>(33,985,448)</b>      | <b>34,996,595</b>   | <b>1,011,147</b>    |
| <b>Net Increase (Decrease)</b>    | <b>(4,357,151)</b>       | <b>440,456</b>      | <b>(3,916,695)</b> | <b>(11,182,208)</b>      | <b>-</b>            | <b>(11,182,208)</b> | <b>(15,616,985)</b>      | <b>-</b>            | <b>(15,616,985)</b> | <b>(18,218,440)</b>      | <b>-</b>            | <b>(18,218,440)</b> |
| <b>FUND BALANCE, RESERVES</b>     |                          |                     |                    |                          |                     |                     |                          |                     |                     |                          |                     |                     |
| Estimated Beginning Balance       | 38,198,541               | 32,053,800          | 70,252,341         | 33,841,390               | 32,494,256          | 66,335,646          | 22,659,182               | 32,494,256          | 55,153,438          | 7,042,197                | 32,494,256          | 39,536,453          |
| <b>Estimated Ending Balance</b>   | <b>33,841,390</b>        | <b>32,494,256</b>   | <b>66,335,646</b>  | <b>22,659,182</b>        | <b>32,494,256</b>   | <b>55,153,438</b>   | <b>7,042,197</b>         | <b>32,494,256</b>   | <b>39,536,453</b>   | <b>(11,176,243)</b>      | <b>32,494,256</b>   | <b>21,318,013</b>   |
| Nonspendable                      | 255,303                  | -                   | 255,303            | 255,303                  | -                   | 255,303             | 255,303                  | -                   | 255,303             | 255,303                  | -                   | 255,303             |
| Restricted                        | -                        | 32,494,256          | 32,494,256         | -                        | 32,494,256          | 32,494,256          | -                        | 32,494,256          | 32,494,256          | -                        | 31,613,408          | 31,613,408          |
| Committed                         | 4,246,337                | -                   | 4,246,337          | -                        | -                   | 15,577,479          | -                        | -                   | -                   | -                        | -                   | -                   |
| LAP Carryover 23-23               | 22,299,350               | -                   | 22,299,350         | 22,299,350               | -                   | -                   | 22,299,350               | -                   | -                   | 22,299,350               | -                   | -                   |
| Unassigned - REU @ 3.5%           | 7,040,400                | -                   | 7,040,400          | 6,826,400                | -                   | 6,826,400           | 6,772,400                | -                   | 6,772,400           | 6,885,500                | -                   | 6,885,500           |
| Unassigned - Other                | -                        | -                   | -                  | (6,721,871)              | -                   | -                   | (22,284,856)             | -                   | 14,494              | (40,616,396)             | 880,848             | (17,436,198)        |



**VALLEJO CITY**  
UNIFIED SCHOOL DISTRICT

**BOARD OF  
EDUCATION**

**Rubén Aurelio**  
Superintendent

**John Fox**  
President

**Glenn Amboy**  
Vice President

**Dr. Latyna Young**  
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Trustee

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Trustee

**Vallejo City Unified  
School District**

665 Walnut Avenue  
Vallejo, CA 94592

707-556-8921  
vcusd.org

**April 21, 2025**

**Ms. Lisette Estrella-Henderson**

Solano County Superintendent of Schools  
Solano County Office of Education  
5100 Business Center Drive  
Fairfield, CA 94534

**RE: Vallejo City Unified School District – Readiness for Exit from Receivership Oversight**

Dear Superintendent Estrella-Henderson,

On behalf of the Vallejo City Unified School District (VCUSD), I respectfully submit this letter outlining the governance team's collective efforts and strategic progress toward meeting the conditions for exit from state receivership. Over the past year, the VCUSD Governing Board and Executive Leadership Team have taken decisive and coordinated actions to address long-standing fiscal vulnerabilities, implement internal control reforms, and shift the district toward long-term financial and academic sustainability.

**Fiscal Solvency: Corrective Actions and Structural Reductions**

In response to the Eide Bailly Financial Systems Audit dated November 1, 2023, which emphasized elevated risk around fiscal systems, reconciliation practices, and long-term obligations, VCUSD has prioritized a multi-year corrective strategy. The district adopted and implemented a **\$12.8 million reduction plan for 2025–2026**, which includes:

- The **closure and consolidation of Loma Vista Environmental Science Academy and Mare Island Health and Fitness Academy**, approved by the Board in February 2025, saving over \$2.2 million annually.



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- **Staffing reductions totaling over \$7.2 million**, across classified, certificated, and administrative groups, aligned to declining enrollment and end of COVID-era funding.
- Significant **reductions in contracted services and duplicative administrative functions totalling \$5.6 million**, reducing external vendor dependency as advised in audit findings.

Looking forward, the Board has approved a **Phase 2 reduction target of \$16.5 million for 2026–2027**, including further facility rightsizing and refined staffing ratios based on real-time enrollment and ADA data.

#### **Internal Controls and Systems Rebuild**

The Eide Bailly report cited inadequate account reconciliation, legacy system dependencies, and insufficient interdepartmental fiscal coordination as areas of concern. In response, we have:

- System overhaul in progress to ensure **centralized position control and payroll systems**, reconciling vacancies and budgeting in real time through cross-functional collaboration between Human Resources, Fiscal Services, and Educational Services.
- **Initiated monthly reconciliation protocols** for balance sheet accounts and payroll to improve audit readiness and system accuracy.
- Strengthened the **governance and accountability structure** through expanded financial training for cabinet members and site administrators, with a focus on budget development, LCAP alignment, and corrective action tracking.

#### **Enrollment, Attendance, and Academic Revitalization**



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To address the intertwined challenges of declining enrollment, chronic absenteeism, and charter attrition—as detailed on pages 8–13 of the audit report—VCUSD has adopted a strategic outreach and enrollment campaign, supported by:

- **Community Welfare Liaisons** conducting family-by-family re-engagement efforts;
- A **restructured interdistrict transfer policy**, emphasizing student retention;
- A **new online enrollment portal** and targeted school marketing aligned with site strengths and program offerings;
- Ongoing **daily ADA tracking**, with school leaders accountable for attendance interventions and staff performance;
- Alignment of **LCAP investments** with direct support for unduplicated students, particularly African American and English learner populations.

### **Building a Desirable, Ethical, and Responsive District**

The Eide Bailly audit made clear that previous cycles of superintendent turnover and governance disarray undermined district improvement efforts. Under my leadership, with the support of our Board, we are reversing this narrative. The entire leadership team is aligned under a shared mission to build a **destination school district**—one that inspires confidence, serves all children equitably, and sustains its own future.

We are committed to transparency, capacity-building, and ensuring that the painful lessons of the past are transformed into enduring best practices.

Thank you for your continued support and oversight as we move closer to full local control and post-receivership independence. We welcome further engagement



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and review and look forward to demonstrating our progress during upcoming monitoring visits.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Rubén Aurelio'.

**Rubén Aurelio**  
Superintendent  
Vallejo City Unified School District

cc:

Michelle Henson, Deputy Superintendent, SCOE  
Diana Lopez, Director of District Business Services, SCOE  
Mel Iizuka, State Trustee  
VCUSD Governing Board  
VCUSD Executive Cabinet

## **Appendix D - VCUSD Fiscal Stabilization Plan**

### **Executive Summary**

The Vallejo City Unified School District (VCUSD) received a qualified certification on its Second Interim Report for the 2024–25 school year, indicating concerns about the district’s ability to meet its financial obligations in the current and subsequent fiscal years. This proposal presents a comprehensive strategic plan to stabilize the district’s budget, address underlying fiscal challenges, and restore long-term financial solvency.

The proposed actions reflect a coordinated, data-driven approach that actively engages district leadership and external partners—including the Solano County Office of Education—to advance fiscal stability while safeguarding essential services for students.

### **Financial Condition Overview**

VCUSD is currently navigating a set of interrelated fiscal challenges that threaten long-term solvency without immediate and sustained intervention:

#### **Declining Enrollment**

The District continues to experience sustained enrollment declines, exacerbated by growth in charter school enrollment. These demographic shifts directly reduce Local Control Funding Formula (LCFF) revenues and require corresponding adjustments in staffing and program expenditures.

#### **Rising Operational & Benefit Costs**

Increases in costs for employee benefits, utilities, and contracted services—particularly in special education—are outpacing inflationary revenue growth. Notably, contracted services now account for over 50% of total special education expenditures, further straining the unrestricted General Fund.

#### **Deficit Spending**

Ongoing expenditures have exceeded recurring revenues as staffing and service levels have not yet fully aligned with enrollment losses. This structural deficit has required the District to rely on one-time funds to close budget gaps, an unsustainable fiscal practice.

#### **Limited Reserves**

The District’s Unrestricted General Fund reserves remain under pressure. Contributing factors include:

- Delayed proceeds from a pending property sale.
- Exploration of contingency funding options, such as the NBSIA workers’ compensation equity, to offset fiscal risk should the property transaction not finalize in FY 2025–26.

#### **Multi-Year Projections**

Current multi-year financial projections indicate that VCUSD can meet its financial obligations through FY 2025–26. However, maintaining fiscal solvency beyond that point will require immediate and significant structural changes.

To remain solvent, the District must implement ongoing expenditure reductions or generate new revenues as follows:

- \$15.5 million in ongoing adjustments by 2026–27
- An additional \$16.5 million by 2027–28
- An additional \$5 million by 2028–29

Without these corrective actions, reserves will be fully depleted, placing the District at serious risk of state intervention or insolvency.

**2025-26 Reduction in Services:** The following recommendations represent budget adjustments or general reductions that are not specific to an employee group.

| RECOMMENDATIONS SERVICE REDUCTIONS - 25-26 BUDGET MODEL |   |  |                     |                     |  |
|---|---|--|---------------------|---------------------|--|
| OBJECT CODE   |   |  | BUDGET MODEL        | ESTIMATED REDUCTION | COMMENTS/NOTES                           |
| 1000'S  | EMPLOYEE NON SALARY<br>EXTRA COST –<br>CERTIFICATED |  | \$<br>14,177,816.00 | \$<br>1,020,988.00  | 7.03% REDUCTION (GEN<br>FUND01, RES0000  |
| 2000'S  | EMPLOYEE NON SALARY<br>EXTRA COST –<br>CLASSIFIED   |  | \$<br>21,837,451.00 | \$<br>425,766.00    | 1.95% REDUCTION (GEN<br>FUND01, RES0000  |
| 3000's  | Employee Benefits                                   |  |                     | \$428,177.00        | REDUCTION (GEN<br>FUND01, RES0000        |
| 4000'S  | MATERIALS/SUPPLIES:                                 |  | \$<br>2,387,744.00  | \$<br>399,631.00    | 16.74% REDUCTION<br>(GEN FUND01, RES0000 |
| 5000'S  | SERVICES/CONTRACTS                                  |  | \$<br>22,014,310.00 | \$<br>405,631.00    | 1.85% REDUCTION (GEN<br>FUND01, RES0000  |
|   |   |  |                     | \$<br>2,680,193.00  |  |

## **2025-26 Stabilization Plan Outline**

The 2025–26 Stabilization Plan outlines a strategic, equity-driven approach to staffing and resource allocation. Aligned with Local Control and Accountability Plan (LCAP) objectives, it incorporates best-in-class practices—like ratio-based staffing and dynamic staffing realignment—to ensure that personnel distribution among bargaining units supports district goals and delivers consistent, data-informed resource equity across all sites. The following is an outline of key components.

### **Balanced Staffing by Bargaining Unit**

The district plans to conduct a strategic review of staffing across various bargaining units, including the California School Employees Association (CSEA), Vallejo Education Association (VEA), certificated management, and classified management. This review will ensure that the composition of each group aligns with the district's overall strategic plan and Local Control and Accountability Plan (LCAP) goals.

### **Per-Student Staffing Ratios**

A ratio-based staffing model will be implemented, assigning staff in proportion to total student enrollment (e.g., X staff members per Y students). This approach ensures equity and efficiency across all school sites, promoting a balanced distribution of resources.

### **Dynamic Adjustments via “Live Count”**

Once actual student counts are available at the start of the school year, staffing allocations will be recalibrated to reflect actual enrollment. This dynamic adjustment prevents overstaffing and ensures that resources are aligned with student needs.

### **Continuous Ratio Monitoring**

The district will track per-student staffing metrics—broken down by position type and site—to identify inefficiencies and promote data-driven budgeting. This continuous monitoring aligns ensures optimal staffing levels.

### **Position Control Monthly Reconciliation**

A monthly reconciliation of Position Control Numbers (PCNs) will be conducted to ensure alignment between staffing levels, budget allocations, and organizational needs. This process maintains fiscal discipline and supports strategic planning.

### **Optimize Resource Allocation**

The district will embed a continuous expenditure review process within the budget approval workflow to evaluate each proposed expenditure for its relevance and effectiveness in achieving desired outcomes. This approach aims to ensure that financial resources are utilized effectively to achieve strategic objectives.

## 2025-26 Reductions Plan Overview

Pursuant to California Education Code (Ed.C.) § 4511, along with existing contracts with classified (CSEA) and certificated (VEA) bargaining units, our flexibility for involuntary layoffs or reassignments for current year is limited. However, our July Position Control Report indicates 143.36 unfilled positions district-wide. While many are earmarked for employees exercising bumping or layoff rights, these vacancies offer an opportunity for passive cost avoidance through freezes. This strategy allows us to honor contractual obligations while achieving fiscal savings. By freezing or eliminating these vacancies, we can realize approximately \$15.26 million in savings—without terminating any current employees.

Vacancy Freeze by Bargaining Unit includes positions that are funded through Unrestricted General Fund and Special Education, RES 6500.

- Certificated (VEA): 115.19 positions → \$11.63M
- Certificated Managers (VSMA): 10.20 positions → \$1.56M
- Classified (CSEA): 35.97 positions → \$2.07M

Total savings through vacancy freeze: 161.36 positions → \$15.26M

Final staffing decisions hinge on actual student enrollment at the start of the school year. This “live count” ensures vacancies only remain unfilled where student demand allows—further safeguarding instructional quality and site needs.

**2025-26 VACANRY FREEZE BREAKDOWN:**

| 2025-26 VACANRY FREEZE BY UNIT |  |   |               |  |               |                         |
|--------------------------------|--|---|---------------|--|---------------|-------------------------|
| UNIT                           | 2025-26<br>AUTHORIZED<br>FTE (UNR &<br>SPED) | 2025-26<br>AMOUNT<br>UNR/SPED<br>BUDGET | %<br>OFBUDGET | VACANRY<br>FREEZE                            | % OF<br>STAFF | ESTIMATED<br>REDUCTIONS |
| CERTIFICATED<br>CONTRACT       | 3  | \$915,369.16                            | 0.963%        |  |               |                         |
| CLASSIFIED<br>CONFIDENTIAL     | 6  | \$599,278.00                            | 0.630%        | 0  | 0.00          |                         |
| CLASSIFIED CSEA                | 399.32                                       | \$22,181,691.00                         | 23.3277%      | 34.96875                                     | 8.76%         | \$2,031,907.728         |
| CLASSIFIED<br>CONTRACT         | 0.5  | \$164,705.00                            | 0.1732%       |  |               |                         |
| CERTIFICATED VEA               | 503.71                                       | \$56,411,885.67                         | 59.3264%      | 101.19                                       | 20.09%        | \$10,212,237.50         |
| CERTIFICATED<br>MANAGEMENT     | 62.73  | \$10,498,797.94                         | 11.0412%      | 7.2  | 11.48%        | \$1,162,602.07          |
| CLASSIFIED<br>MANAGEMENT       | 20.75  | \$4,315,606.00                          | 4.5386%       | 0  | 0             | \$0.00                  |
| <b>TOTALS</b>                  | <b>996.01</b>                                | <b>\$95,087,332.77</b>                  | <b>100%</b>   | <b>TOTAL STAFFING<br/>REDUCTIONS</b>         |               | <b>143.36</b>           |
|                                |  |   |               | <b>STAFFING<br/>COMMITTEE<br/>REDUCTIONS</b> |               | <b>\$0.00</b>           |
|                                |  |   |               | TOTAL SERVICES<br>REDUCTIONS                 |               | \$2,680,193.00          |
| District Enrollment            | 8623   |   |               | PROJECTED VACANRY<br>SAVINGS                 |               | \$13,406,751.29         |
|                                |  |   |               | <b>REDUCTION TOTAL</b>                       |               | <b>\$16,086,944.29</b>  |

**The 2026–27 Budget Stabilization Strategy:**

The 2026–27 Stabilization Strategy builds on the foundational framework established in 2025–26, continuing our commitment to align staffing and resources with district priorities. The framework is structured to align personnel with strategic priorities, promote equitable deployment across all school sites, and is informed by statewide averages and industry-standard benchmarks. The objective is to ensure balanced personnel deployment and data-driven resource allocation across all school sites.

Staffing allocation targets based on California and industry norms:

- Certificated Staff (Teachers, Instructional Coaches, Instructional Staff): ~44–46%
- Certificated Management (Principals, Coordinators, Vice Principals): ~3–4%
- Classified Staff (Paraprofessionals, Clerical, Operations): ~48–50%

- Classified Management (Supervisors/Managers): ~1–2%

With student enrollment projected to decline further, the district anticipates the need for additional staffing reductions totaling approximately \$15.5 million in response to ongoing budget deficits. These reductions will be managed through a combination of:

- Natural attrition (retirements, resignations), including early retirement incentives commonly used by California districts facing deficits
- Formal layoff procedures, conducted per Education Code requirements

### **2026–27 Staffing Reductions: Total Proposed Reduction, 114 FTE**

To address declining enrollment, evolving program offerings, and potential school consolidations, the district will implement strategic staffing adjustments to enhance operational efficiency. These adjustments will utilize a ratio-based staffing model, aligning staff allocations with actual student enrollment. Monthly reconciliation of staffing metrics, such as Position Control Numbers (PCNs), while ensuring that resources are accurately distributed and fiscal oversight remains a priority. Together, these strategies are designed to reinforce fiscal responsibility while ensuring staffing supports the district’s strategic objectives and LCAP goals.

Of the 114 FTE, 20 are in the VEA bargaining unit. These reductions are not yet tied to specific job classifications. However, we anticipate that they may include a mix of:

- Classroom teachers
- Counselors
- Specialists (e.g., intervention teachers, instructional coaches, program coordinators)

Final role-specific impacts will be identified in collaboration with site leaders and department supervisors as enrollment projections and master schedules are finalized.

Staffing adjustments of 75 FTE are projected among the CSEA bargaining unit. These positions have not yet been designated by classification, as we will be engaging stakeholders to determine the specific programs and operational areas impacted. Likely roles may include:

- Instructional support (paraprofessionals, campus monitors)
- Clerical/administrative staff
- Custodial and maintenance personnel
- Other site- or department-level support roles

In addition, a 15 FTE proposed reduction among certificated management. The following is a breakdown of the recommended staffing reductions for 2026-27 school year.

| OBJECT CODE |   | ESTIMATED REDUCTION | COMMENTS/NOTES   |
|-------------|---|---------------------|--|
| 1000'S      | EMPLOYEE NON SALARY EXTRA COST - CERTIFICATED | \$ 600,000.00       | Decrease Non Salary Costs - Certificated Staff   |
| 2000'S      | EMPLOYEE NON SALARY EXTRA COST - CLASSIFIED   | \$ 600,000.00       | Decrease Non Salary Costs - Classified Staff   |
| 3000'S      | EMPLOYEE BENEFITS                             | \$ 389,460.00       | Employee Benefits Reduction: Decrease Non Salary Costs- Classified/Certificated  |
| 4000'S      | MATERIALS/SUPPLIES:                           | \$ 300,000.00       | General Fund Materials & Supplies Reduction: Sites & Departments   |
| 5000'S      | SERVICES/CONTRACTS                            | \$ 4,000,000.00     | Reduction in Contracted Services, Staffing for Short Term Assignments, through a prioritization of contracted service agreements |
|             |   | \$ 5,889,460.00     |  |

| 2026-27 STAFFING REDUCTIONS BY UNIT  |                        |                                    |                   |                                  |            |                        |
|--------------------------------------|------------------------|------------------------------------|-------------------|----------------------------------|------------|------------------------|
| UNIT                                 | 2026-27 AUTHORIZED FTE | 2026-27 AMOUNT COMBINED BUDGET W/O | STAFF COMPOSITION | TOTAL REDUCTION FROM PY          | % OF STAFF | ESTIMATED REDUCTIONS   |
| CERTIFICATED CONTRACT                | 3                      | \$915,369.16                       | 0.0036            | 0                                | 0          | \$0.00                 |
| CLASSIFIED CONFIDENTIAL              | 6                      | \$599,278.00                       | 0.72%             | 1                                | 16.67%     | \$99,880.00            |
| CLASSIFIED CSEA                      | 363.35                 | \$20,183,605.69                    | 43.53%            | 75.00                            | 20.64%     | \$4,166,150.00         |
| CLASSIFIED CONTRACT                  | 0.5                    | \$164,705.00                       |                   | 0                                |            |                        |
| CERTIFICATED VEA                     | 388.52                 | \$43,511,436.78                    | 46.55%            | 20                               | 5.15%      | \$2,239,855.70         |
| CERTIFICATED MANAGEMENT              | 52.53                  | \$8,791,676.32                     | 6.29%             | 15                               | 28.56%     | \$2,510,472.96         |
| CLASSIFIED MANAGEMENT                | 20.75                  | \$4,315,606.00                     | 2.49%             | 3                                | 14.46%     | \$623,943.00           |
| TOTALS                               | <b>834.65</b>          | <b>\$78,481,676.95</b>             | 100%              | TOTAL STAFFING REDUCTIONS        |            | 114                    |
|                                      |                        |                                    |                   | <b>TOTAL SERVICES REDUCTIONS</b> |            | \$ 5,889,460.00        |
|                                      |                        |                                    |                   | PROJECTED VACANCY SAVINGS        |            | \$9,640,301.66         |
| District Enrollment, LCFF Calculator | <b>8370.00</b>         |                                    |                   | REDUCTION TOTAL                  |            | <b>\$15,529,761.66</b> |

## **2027-28 Staffing Reductions**

Due to a net increase of \$2,713,120 in 26-27 projected budget, we did not include the 2027-28 staffing reductions in this MYP.

## Appendix E - 2025-26 VCUSD Fiscal Stabilization Plan Review Letter



**Lisette Estrella-Henderson, Superintendent of Schools**  
5100 Business Center Drive, Fairfield, CA 94534-1658  
707.399.4400 ★ [www.solanocoe.net](http://www.solanocoe.net)

July 28, 2025

Rubén Aurelio, Superintendent  
Vallejo City Unified School District  
665 Walnut Avenue  
Vallejo, CA 94592

### **SUBJECT: Fiscal Stabilization Plan Review**

Dear Superintendent Aurelio:

We acknowledge the Vallejo City Unified School District's (District) efforts in proactively addressing its fiscal challenges and right-sizing the District. The proposed fiscal stabilization plan, dated July 21, 2025, demonstrates a serious commitment to long-term financial sustainability. In addition, the District also submitted an updated 45-day revised budget, which includes revised multi-year projections (MYP). This letter provides our feedback and recommendations with the goal of supporting the District's efforts to sustain fiscal solvency and stability.

### **Overall Assessment**

The proposed fiscal stabilization plan is a necessary response to the District's qualified second interim report for 2024-25 and persistent structural deficit projected throughout the 2025-26 July budget multi-year projection period. The plan identifies key fiscal pressures, such as declining enrollment, rising operational costs, and continued deficit spending.

The District's proposal to implement more than \$30 million in budget adjustments by 2027-28 shows the scale of the fiscal challenges it faces. Given the magnitude of proposed budget reductions needed, we have considerations about the plan's overall feasibility and risks associated with a successful implementation.

The District plans to incorporate several best practices, including implementing a ratio-based staffing model to ensure equitable resource distribution aligned with student enrollment, conducting monthly position control reconciliations, and instituting a continuous expenditure review process. While these elements establish a strong foundation, the scale of the proposed budget reduction required to balance the budget over the MYP period, combined with simultaneous adoption of new systems and processes, may place significant demands on the District's ability to implement the plan effectively.

### **Key Components of the Plan**

#### **2025-26 Fiscal Year:**

- The District aims to save approximately \$13.4 million by not filling 143.36 currently vacant positions across various employee groups. No layoffs are anticipated.
- An additional savings of \$2.68 million are expected from reductions in non-salary costs such as restricting overtime and substitutes, materials, supplies, and contracts.

**2026-27 Fiscal Year:**

- An estimated \$9.6 million in further savings will be achieved through the reduction of approximately 114 full-time equivalent (FTE) positions via attrition, retirement incentives, and formal layoffs. The projected breakdown is:
  - 75 FTE California School Employees Association
  - 20 FTE Vacaville Education Association
  - 15 FTE Certificated Management
  - 3 FTE Classified Management
  - 1 FTE Confidential Classified Staff
- Additional savings of \$5.89 million are expected through reductions in non-salary costs (e.g., overtime, substitutes, materials, supplies, and contracts).

**2027-28 Fiscal Year:**

- No additional staffing reductions are currently planned.

**Areas of Concern and Recommendations**

While the plan is a significant step forward, several areas require further detail and attention to ensure successful implementation and ongoing improvement to fiscal health.

**Concerns:**

- Addressing the deficit spending is heavily dependent on not filling vacant positions. However, final staffing decisions depend on actual student enrollment and dynamic recalibration of staff based on a “live count”, which introduces uncertainty as to whether the full \$9.6 million in savings will materialize.
- While the plan projects the elimination of 114 FTE positions in 2026–27, it appears that the revised MYP submitted with the plan also assumes that the 143.36 unfilled positions from 2025–26 will be permanently eliminated. This results in a total reduction of 257.36 FTEs by 2026–27. The plan does not clearly outline how these cumulative reductions will be implemented, nor does it address the operational and programmatic impacts of such significant staffing reductions.
- Managing extensive budget reductions while implementing new staffing models and financial controls will require strong capacity and coordination across departments.

**Recommendations:**

- Develop a contingency staffing plan that accounts for fluctuations in student enrollment and allows for flexible adjustments. Set up regular monitoring to identify and address any shortfalls in vacancy savings early in the fiscal year.
- Develop a concrete reduction plan for 2026-27. This will provide clarity and allow for more strategic implementation.
- Regularly monitor performance staffing changes and financial impact for effective implementation and timely data informed adjustments as needed.
- Given the significant planned reduction in contracted services in 2027-28, the District should begin a thorough review of all service contracts to identify potential savings.

**Follow-Up Items for Monitoring:**

Due to our concerns noted above and to support continued monitoring, we request the following information be provided on a monthly and interim basis:

**Ongoing Reporting:**

1. Monthly report detailing all filled and vacant positions, reconciled against the budget and payroll, as mentioned in the plan. This will track progress on the vacancy freeze and future reductions.

2. Detailed monthly financial reports showing actual revenues and expenditures against the adopted and revised budget to monitor the progress of all planned reductions, including service and contract savings.
3. Monthly updates on enrollment figures (both actual and projected), broke down by school site and grade level.
4. Monthly updates of staffing ratios by position types and school site.
5. Monthly updates on any changes to the fiscal stabilization plan, including changes in implementation timelines, updated savings estimates, or changes in approach. These updates should reflect progress to date and how the District is staying on track with its fiscal goals.

**Interim Reporting (with 2025-26 first and second interim reports):**

6. A timeline for when the District will finalize and communicate the specific job classifications to be impacted by the 114 FTE reductions planned for 2026-27.
7. A detailed breakdown of the FTE reductions for 2026-27, including position control numbers and funding source.
8. A detailed breakdown of the specific contracts or areas targeted for reduction or elimination for 2026-27.

Additionally, we understand the fiscal stabilization plan and 45-day budget revision is scheduled for presentation to the District's Governing Board in August 2025. We request to receive the final plan, 45-day budget revision, and presentation materials in advance or immediately following the meeting.

## Closing:

The fiscal stabilization plan submitted by the District represents a crucial starting point in the District's fiscal recovery efforts, and we acknowledge that difficult decisions still lie ahead. The success of this plan will require ongoing evaluation, timely course corrections, and responsive action based on real-time data and input from across the organization. With the shared commitment to improvement, the District is taking action towards long-term fiscal stability while keeping its core mission of delivering high-quality education to every student.

Should you have any questions regarding this letter, please contact Michelle Henson at 707-399-4405.

Sincerely,



Lisette Estrella-Henderson  
Superintendent of Schools

Cc: Michelle Henson, Deputy Superintendent, Administrative Services and Operations, SCOE  
Rubén Fernández, Assistant Superintendent of Business Services and Operations, VCUSD  
Matt Chamberlain, Assistant Superintendent, Human Resources, VCUSD  
Heather Topacio, Assistant Superintendent, Educational Services, VCUSD  
Diana López, Director, District Business Services, SCOE

## Appendix F - Study Agreement



### 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 City 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 a final follow-up evaluation of the county superintendent of school's fiscal oversight provided to the Vallejo City 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.

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.

**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.

**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:

| <b>ACTION</b>  | <b>TIMELINE</b>  |
|--|--|
| 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.   |

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: Lisette Estrella-Henderson  
Telephone: 707-399-4400  
Email: [LEHenderson@solanocoe.net](mailto:LEHenderson@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: 2025.07.07 13:18:50 -07'00'

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Lisett Estrella-Henderson, Superintendent Date  
Solano County Office of Education

For FCMAT:

**Michael H. Fine** Digitally signed by Michael H. Fine  
Date: 2025.07.07 16:31:23 -07'00'

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