

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Fiscal Health Risk Analysis

May 13, 2025



Vallejo City Unified School District

Michael H. Fine
Chief Executive Officer

May 13, 2025

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

Dear Superintendent Aurelio:

In March 2025, the Vallejo City Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a FCMAT Fiscal Health Risk Analysis of the district.

The agreement stated that FCMAT would perform the following:

Prepare an analysis using the 20 factors in FCMAT's Fiscal Health Risk Analysis (FHRA) and identify the Client's specific risk rating for fiscal insolvency.

This report contains the fiscal health risk analysis report with the study team's findings and recommendations. FCMAT appreciates the opportunity to assist the Vallejo City Unified School District and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,



Michael H. Fine
Chief Executive Officer

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About FCMAT

Purpose and Services

FCMAT was created by the California Legislature to help California's transitional kindergarten through grade 14 (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 superintendent of schools, 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; and provides LEAs with training and leadership in data management. CSIS also 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, policy-makers, the Legislature, parents and the public quick access to timely and comprehensive data about TK-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, LCFF calculators, 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 1200 (Chapter 1213, Statutes of 1991) and Education Code 42127.8. Assembly Bill 107 (Chapter 282, Statutes of 1997) added Education Code 49080, which charged FCMAT with responsibility for CSIS and its statewide data management work, and Assembly Bill 1115 (Chapter 78, Statutes of 1999) codified CSIS' mission.

Assembly Bill 1200 created a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. Assembly Bill 2756 (Chapter 52, Statutes of 2004) gave FCMAT specific responsibilities for districts that have received emergency state loans.

In January 2006, Senate Bill 430 (Chapter 357, Statutes of 2005) amended Education Code 42127.8, and Assembly Bill 1366 (Chapter 360, Statutes of 2005) amended Education Codes 42127.8 and 84041. These new laws expanded FCMAT's services to include charter schools and community colleges, respectively.

Assembly Bill 1840 (Chapter 426, Statutes of 2018) changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting oversight responsibilities from the state to the local county superintendent to be more consistent with the principles of local control, and giving FCMAT new responsibilities associated with the process.

Introduction

Background

Located in the North Bay region of the California Bay Area, within the city of Vallejo in Solano County, Vallejo City Unified School District is governed by a five-member board of education. In 2023-24, the district served 9,441 noncharter school students in transitional kindergarten through grade 12 (DataQuest). During the same period, it reported an unduplicated pupil percentage of 83.63%, which includes students who are English learners, foster youth, or eligible for free or reduced-price meals (CDE).

The district also operates Vallejo Charter School, serving 415 students in transitional kindergarten through grade eight (DataQuest), and provides oversight for five additional charter schools: Caliber: ChangeMakers Academy; Griffin Academy High; Mare Island Technology Academy; MIT Griffin Academy Middle; and MIT Academy.

Vallejo itself has a proud history as the former home of the Mare Island Naval Shipyard, which served as a submarine facility during World War II. The shipyard officially closed in March 1996, resulting in a significant loss of jobs, residents and local revenue. More than 30 years later, the district continues to experience the lasting impact of this economic shift.

In June 2004, the governor signed Senate Bill (SB) 1190 (Chapter 53, Statutes of 2004), placing Vallejo City Unified School District under state receivership and approving an emergency appropriation of \$60 million. The district's fiscal insolvency was driven by leadership turnover, escalating staffing costs, overstaffing, and significant weaknesses in fiscal practices and operations — including inadequate internal controls and a failure to respond to declining enrollment.

In August 2024, the district fully repaid the emergency appropriation. It now operates under the oversight of a county-appointed trustee who reports to the county superintendent. The trustee retains stay and rescind authority over governing board decisions that may affect the district's financial condition and will continue to serve until June 30, 2025.

In 2023-24, the district began deficit spending, reducing its unrestricted general fund ending balance by \$2,673,735 — or 5.369% — according to the 2023-24 unaudited actuals report. Following the district's 2024-25 first interim report, the 2023-24 annual independent audit report proposed a net decrease of \$1,366,773 to the general fund. This adjustment would further reduce the unrestricted general fund ending balance. The district's 2024-25 first interim report marked its third consecutive qualified certification. In response, FCMAT conducted a Fiscal Health Risk Analysis to determine the district's level of risk of insolvency, using financial data from the first interim report as the basis for the analysis.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Vallejo City Unified School District on March 13, 2025, and a study team visited the district on March 24-26, 2025, to conduct interviews, collect data and review documents. After the fieldwork, the study team conducted virtual interviews on April 8, 2025 and continued to analyze the gathered documents and data. This report summarizes the team's findings and conclusions from those activities.

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:

Andrea Ward, CFE
FCMAT Intervention Specialist

John Von Flue
FCMAT Chief Analyst

Cassady Clifton
FCMAT Technical Writer

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

Fiscal Health Risk Analysis For TK-12 School Districts



FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Dates of fieldwork: March 24-26, 2025 and April 8, 2025

School District: Vallejo City Unified School District

Summary

The Vallejo City Unified School District has experienced a major leadership transition this fiscal year. A new superintendent began in July 2024, and as of the fieldwork conducted in March, the chief business official position that had been vacant since January was in the process of being filled in early April. During this transition, the district has received additional support and guidance from the county superintendent and a county-appointed trustee to support fiscal recovery and maintain solvency following the district’s acceptance of an emergency state apportionment in 2004.

As shown in Figure 1 below, the district has experienced declining enrollment for more than a decade and projects continued enrollment decline. Between the 2014-15 and 2023-24 school years, noncharter school enrollment decreased by 31%.

Vallejo City Unified School District Historical and Projected Enrollment, 2014-15 — 2028-29

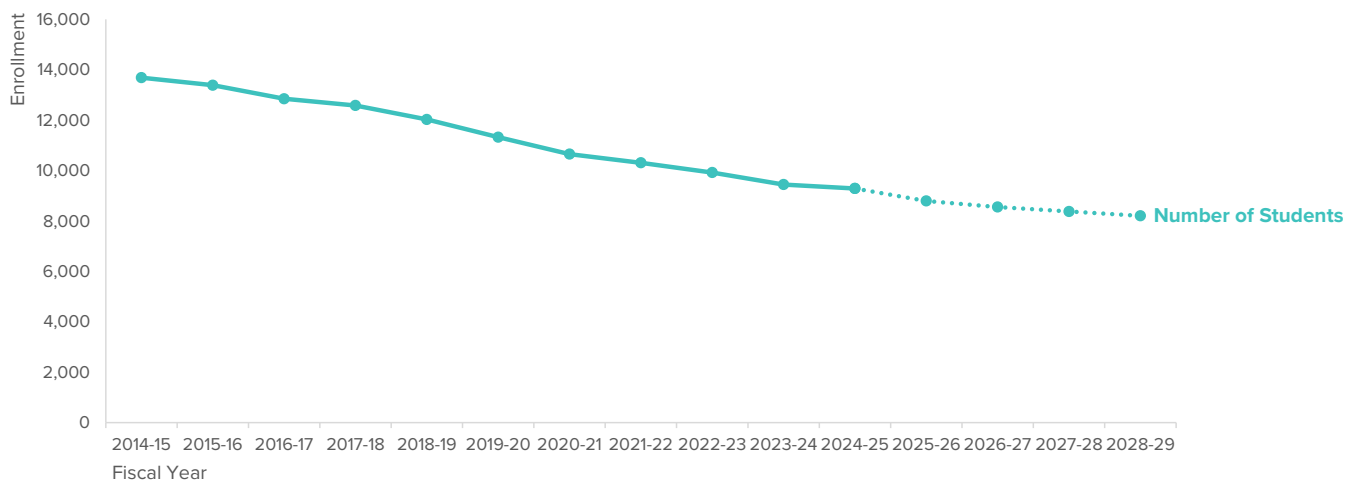


Figure 1. A line graph showing the district’s historical and projected enrollment from 2014-15 — 2028-29.

Source: Adapted from “Enrollment Multi-Year Summary by Grade” (DataQuest).

Note: Projections for fiscal years 2024-25 through 2028-29 are based on data from the district’s 2024-25 first interim report.

In 2023-24, the district incurred a \$2.7 million unrestricted general fund deficit. According to the 2024-25 first interim report, district leadership projects this trend will continue, with projected unrestricted general fund operating deficits of \$20.3 million in 2024-25, \$13.1 million in 2025-26, and \$6.1 million in 2026-27. Further, the financial impact of the 2024-25 collective bargaining agreements have not yet been incorporated into these projections.

Based on the 2024-25 first interim report, Figure 2 on the following page shows the projected impact on the unrestricted general fund ending balance.

Vallejo City Unified School District Historical and Projected Unrestricted General Fund Ending Balance, 2022-23 — 2026-27

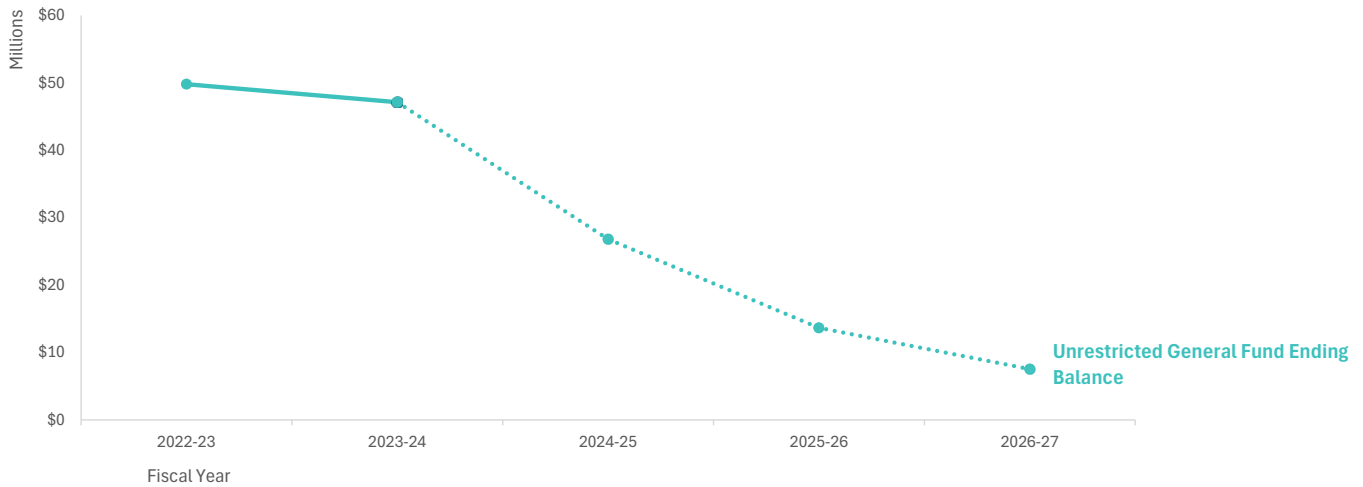


Figure 2. A line graph showing the district’s historical and projected general fund unrestricted ending fund balance from 2022-23 — 2026-27.

Sources: Adapted from the district’s 2023-24 unaudited actuals and 2024-25 first interim report.

Even after transferring \$10 million from Special Reserve for Other than Capital Outlay Fund 17, district leadership acknowledges the need to reduce an additional \$3.2 million in unidentified costs in the 2026-27 fiscal year. Leadership also noted the need to identify and implement further budget reductions beginning in the 2025-26 school year.

Although outside the scope of this engagement, district leadership shared during interviews that the district began taking difficult but necessary actions after the first interim reporting period to begin addressing the ongoing deficit spending.

FCMAT’s analysis for this FHRA determined that the district’s score from the 20 numbered sections is 36.3%.

District Fiscal Solvency Risk Level: High

About the Analysis

The Fiscal Crisis and Management Assistance Team (FCMAT) developed the Fiscal Health Risk Analysis (FHRA) to help evaluate a school district’s fiscal health and risk of insolvency in the current and two subsequent fiscal years.

The FHRA consists of 20 sections, each including specific questions related to essential functions and processes. These sections and questions are based on FCMAT’s extensive work since the inception of Assembly Bill 1200 in 1991 and represent common indicators of fiscal risk or potential insolvency observed in school districts that have neared insolvency and required external assistance. Each analysis section affects fiscal stability, and neglecting any of these areas will ultimately lead to the district’s fiscal failure. The analysis aims to determine the district’s level of risk at the time of evaluation.

A higher number of “No” responses in the analysis indicates an increased risk of insolvency or other fiscal issues for the district. Not all sections or questions carry equal weight; some areas pose a higher risk and thus have a greater impact on the district’s fiscal stability. To help the district, narratives are provided for each “No” response, explaining the reasoning behind the response and outlining the actions needed to achieve a “Yes” in the future.

Identifying issues early is the key to maintaining fiscal health. Diligent planning allows school districts to better understand their financial objectives and implement strategies that sustain fiscal efficiency and long-term solvency. School districts should consider completing the FHRA annually to assess their fiscal health and track their progress.

Areas of High Risk

The following sections on this page and the next two pages repeat certain questions and answers found in the “Fiscal Health Risk Analysis Questions” section later in this report. These sections identify conditions that create a significant risk of fiscal insolvency. A “No” response to any of these questions will supersede all other scoring and elevate the district’s overall risk level.

Budget and Fiscal Status: Is district currently *without* the following?

	Yes	No
Disapproved budget	✓	<input type="checkbox"/>
Negative interim report certification	✓	<input type="checkbox"/>
Three consecutive qualified interim report certifications.	<input type="checkbox"/>	✓
Downgrade of an interim certification by the county superintendent	✓	<input type="checkbox"/>
“Lack of going concern” designation.	✓	<input type="checkbox"/>

Material Weakness Questions

	Yes	No	N/A
2.5 Has the district’s budget been approved unconditionally by September 15th by the county superintendent of schools in the current and two prior fiscal years	<input type="checkbox"/>	✓	<input type="checkbox"/>

3.4	Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with EC 42142?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3.6	Has the district addressed any deficiencies the county superintendent of schools has identified in its oversight letters to the district in the most recent and two prior fiscal years?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.3	Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.4	If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to meet its cash flow needs for the current and subsequent year?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5.2	Has the district fulfilled, and does it have evidence showing fulfillment of, its oversight responsibilities in accordance with EC 47604.32?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.3	Are all charters authorized by the district going concerns and not in fiscal distress?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.3	Does the district accurately quantify the effects of collective bargaining agreements and include complete disclosure documents that show the impact on its budget and multiyear projections?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6.4	Based on the presettlement analysis, did the district identify related costs or savings, and did it identify ongoing revenue sources or expenditure reductions to support the agreement in the current and subsequent years?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
7.2	If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection sufficient transfers from the unrestricted general fund to cover any projected negative fund balance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.3	If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10.5	Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable factors?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11.2	Does the district have sufficient and available resources to cover all contracted obligations for capital facilities projects?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.1	Is the district able to maintain the minimum reserve for economic uncertainties in the current year (including Fund 01 and Fund 17) as defined by the <u>State Standards and Criteria for Fiscal Solvency</u> ?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.2	Is the district able to maintain the minimum reserve for economic uncertainties in the two subsequent years?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.3	If the district is not able to maintain the minimum reserve for economic uncertainties, does the district's multiyear projection include a board-approved plan to restore the reserve?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
19.1	Does the district account for all positions and costs (including substitutes, overtime, stipends, and employer-paid benefits) in position control?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Score Breakdown by Section

Because the score is not calculated by category, category values provided are subject to minor rounding and are provided for information only.

1.	Annual Independent Audit Report	0.6%
2.	Budget Development and Adoption	3.2%
3.	Budget Monitoring and Updates	6.0%
4.	Cash Management	0.0%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	6.2%
7.	Contributions and Transfers	2.0%
8.	Deficit Spending (Unrestricted General Fund)	3.6%
9.	Employee Benefits	1.2%
10.	Enrollment and Attendance	3.2%
11.	Facilities	0.2%
12.	Fund Balance and Reserve for Economic Uncertainty	1.0%
13.	General Fund - Current Year	1.6%
14.	Information Systems and Data Management	0.0%
15.	Internal Controls and Fraud Prevention	2.4%
16.	Leadership and Stability	1.0%
17.	Multiyear Projections	1.0%
18.	Non-Voter-Approved Debt and Risk Management	0.0%
19.	Position Control	2.0%
20.	Special Education	1.1%
Score		36.3%

Fiscal Health Risk Analysis Questions

1. Annual Independent Audit Report

	Yes	No	N/A
1.1 Has the district recorded findings from the most recent and prior two years’ audits without negatively affecting its fiscal health?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

The district’s 2023-24 independent audit report identified the following audit adjustments:

- General fund: net reduction of \$1,366,733.
- Building fund: net reduction of \$1,102,340.

The 2023-24 independent audit report also identified an estimated general fund reduction of \$138,590 due to extrapolated questioned costs in the state transportation program.

Additionally, the 2021-22 independent audit report identified several questioned costs, including:

- \$50,380 related to the grade span adjustment.
- \$244,030 due to an overstatement of charter school revenue.
- \$19,466 resulting from ineligible students included in the unduplicated student count.

1.2 Has the audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline per Education Code (EC) 41020?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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Education Code (EC) 41020 requires that the annual audit for the prior year be filed with the county office of education, the CDE, and the state controller by December 15, and that the governing board review the audit no later than January 31.

For 2023-24, the district’s audit was completed on December 12, 2024, but was not presented to the board until February 19, 2025 — after the January 31 board review deadline.

The district missed both statutory deadlines for the 2022-23 audit. The audit was dated March 8, 2024, and was not presented to the board until March 20, 2024.

Similarly, for 2021-22, the audit was dated February 15, 2023, and was not presented to the board until March 22, 2023, missing both the required filing and review deadlines under EC 41020.

1.3 Were the district’s most recent and prior two audit reports free of findings of material weakness?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The 2023-24 independent audit report identified a material weakness in internal control over financial reporting, referencing the adjustments noted in Item 1.1 of this analysis.

Similarly, the 2022-23 independent audit report included Finding 2023-001, also classified as a material weakness in internal control over financial reporting.

The 2021-22 independent audit report cited Finding 2022-002 as a material weakness in financial reporting as well.

1.4 Has the district corrected all audit findings from the most recent and prior two audits? . . .

The district’s 2023-24 independent audit report included repeat findings from the prior year: Finding 2024-001 (internal control over financial reporting) and Finding 2024-002 (attendance reporting) were both cited in the 2022-23 audit.

Similarly, in the 2022-23 audit report, Finding 2023-001 was a repeat of 2022-002, and Finding 2023-002 was a repeat of 2022-001.

In the 2021-22 audit report, Finding 2022-001 was also a repeat of prior year Finding 2021-002.

2. Budget Development and Adoption

2.1 Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county superintendent of schools’ instructions, and have been clearly articulated?

Based on document review, interviews and inquiries with the county office, FCMAT found that the district’s budget assumptions consistently lack detail and are presented at a high level, making it difficult to evaluate the nature of the changes and assess their reasonableness.

2.2 Does the district use a budget development method other than a prior-year rollover budget and if so, does that method include tasks such as reviewing prior year estimated actuals by major object code and removing one-time revenues and expenses?

2.3 Does the district use position control data for budget development?

2.4 Does the district calculate its Local Control Funding Formula (LCFF) revenue correctly? . . .

2.5 Has the district’s budget been approved unconditionally by September 15th by the county superintendent of schools in the current and two prior fiscal years?

The district’s 2023-24 budget was approved on September 28, 2023, following the implementation of required adjustments outlined in a conditional approval letter issued by the county office on August 16, 2023.

2.6 Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)? . . .

2.7 Does the district budget and expend restricted funds before unrestricted funds?

The district is behind in spending several restricted federal funds within the year they were allocated, as shown below in Table 1.

Table 1. Allocations and Remaining Balances for Selected Federal Programs, 2023–24 — 2024–25

Federal Program	2023-24 Allocation	2023-24 Remaining Balance	2024-25 Allocation & Remaining Balance
Title II, Part A	\$606,860	\$290,689	\$611,851
Title III, English Learner	\$376,088	\$169,862	\$354,020

Federal Program	2023-24 Allocation	2023-24 Remaining Balance	2024-25 Allocation & Remaining Balance
Title IV, Part A	\$335,376	\$309,178	\$371,158
Total	\$1,318,324	\$769,729	\$1,337,029

Sources: Adapted from “Title II, Part A, Supporting Effective Instruction, Fiscal Year 2023-24” (CDE), “Title II, Part A, Supporting Effective Instruction, Fiscal Year 2024-25” (CDE), “Title III, Part A, English Language Acquisition, Language Enhancement, and Academic Achievement for English Learner Students, Fiscal Year 2023-24” (CDE), “Title III, Part A, English Language Acquisition, Language Enhancement, and Academic Achievement for English Learner Students, Fiscal Year 2024-25” (CDE), “Title IV, Part A, Student Support and Academic Enrichment, Fiscal Year 2023-24” (CDE), and “Title IV, Part A, Student Support and Academic Enrichment, Fiscal Year 2024-25” (CDE).

Additionally, in 2024-25, the district forfeited a total of \$144,913 in 2022-23 Title III (CDE) and Title IV (CDE) federal funding.

- 2.8 **Have the district’s Local Control and Accountability Plan (LCAP) and budget been adopted within the statutory timelines established by EC 42103 and filed with the county superintendent of schools no later than five days after adoption or by July 1, whichever occurs first, for the current and prior fiscal year?**
- 2.9 **Has the district refrained from including carryover funds in its adopted budget?**
 The district’s 2024-25 adopted budget includes one-time carryover funds, primarily from Elementary and Secondary School Emergency Relief (ESSER) allocations.
- 2.10 **Other than objects in the 5700s and 7300s, does the district avoid using negative expense or contra expenditure accounts in its budget?**
- 2.11 **Does the district have and follow a documented standard procedure for evaluating both the proposed acceptance of grants and other restricted funds and the potential multiyear impact on the district’s unrestricted general fund?**
- 2.12 **Does the district adhere to a budget calendar that includes statutory due dates, major budget development tasks and deadlines, and the staff members and departments responsible for completing them?**

3. Budget Monitoring and Updates

- | | Yes | No | N/A |
|--|-------------------------------------|-------------------------------------|--------------------------|
| 3.1 Are actual revenues and expenses consistent with the most current budget? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| The district’s 2024-25 first interim budget did not account for several significant costs, including special education contracts and services, employee compensation settlements, charter school funding, and other known obligations. | | | |
| 3.2 Are budget revisions posted in the financial system at each interim reporting period, at a minimum? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

3.3 Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim reporting period, at a minimum? ✓

A review of the district’s 2024-25 first interim presentation found that budget assumptions and changes are identified by major object code, include only general information, and lack clear, detailed explanations for the underlying changes.

3.4 Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with EC 42142? ✓

Education Code 42142 requires school districts to make necessary budget revisions in their financial systems within 45 days of adopting a collective bargaining agreement and to reflect those changes in any applicable interim reports or multiyear fiscal projections.

The district’s board minutes show that two collective bargaining agreements were approved — one with the Vallejo Education Association on May 8, 2024, and one with the California Schools Employee Association (CSEA) on August 21, 2024. Both agreements included a one-time \$5,000 stipend to be paid in September 2024. Although the payments were made as scheduled, the required budget revisions were not entered into the financial system or reflected in the 2024-25 first interim report. According to the county office, the total cost of the stipends exceeds \$5.3 million in salaries.

3.5 Do the district’s responses fully explain the variances identified in the SACS Criteria and Standards Review form? ✓

In its review of the district’s 2024-25 first interim report, FCMAT identified instances in the criteria and standards where required explanations for variances were insufficient or missing:

- Standard S5B, 1b – Status of the District’s Projected Contributions, Transfers, and Capital Projects: The narrative does not adequately explain a \$6.3 million change in 2024-25 and a \$2.8 million change in 2026-27.
- Standard S5B, 1c – Status of the District’s Projected Contributions, Transfers, and Capital Projects: The narrative does not adequately explain the \$6.3 million change in 2024-25.

3.6 Has the district addressed any deficiencies the county superintendent of schools has identified in its oversight letters to the district in the most recent and two prior fiscal years? ✓

3.7 Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure? ✓

3.8 Does the district encumber funds for salaries and benefits and adjust those encumbrances as needed? ✓

The district budgets for employee compensation but does not encumber those funds in its financial system.

3.9 For the most recent and two prior fiscal years, have the district’s interim financial reports and unaudited actuals been adopted and filed with the county superintendent of schools within the timelines established in Education Code? ✓

According to county office records, the following reports were not filed by their respective deadlines:

- 2022-23 Unaudited Actuals: due September 15, 2023; adopted September 20, 2023.
- 2023-24 Unaudited Actuals: due September 15, 2024; adopted September 18, 2024.

4. Cash Management

	Yes	No	N/A
4.1 Are accounts held by the county treasurer reconciled with the district's and county office of education's (COE) reports monthly?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.2 Does the district reconcile all bank (cash and cash equivalent) accounts with each statement in a timely manner?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.3 Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.4 If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to meet its cash flow needs for the current and subsequent year?	<input type="checkbox"/>	<input type="checkbox"/>	✓
4.5 Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?	✓	<input type="checkbox"/>	<input type="checkbox"/>
4.6 If the district uses interfund borrowing, is it complying with EC 42603?	<input type="checkbox"/>	<input type="checkbox"/>	✓
4.7 If the district is managing cash in any fund(s) through external borrowing, does the district's cash flow projection include repayment based on the terms of the loan agreement?	✓	<input type="checkbox"/>	<input type="checkbox"/>

5. Charter Schools

	Yes	No	N/A
5.1 Does the district have a board policy, memorandum of understanding (MOU), or other written document(s) regarding charter oversight?	✓	<input type="checkbox"/>	<input type="checkbox"/>
5.2 Has the district fulfilled, and does it have evidence showing fulfillment of, its oversight responsibilities in accordance with EC 47604.32?	✓	<input type="checkbox"/>	<input type="checkbox"/>
5.3 Are all charters authorized by the district going concerns and not in fiscal distress?	✓	<input type="checkbox"/>	<input type="checkbox"/>
5.4 Has the district identified specific employees in its various departments (e.g., human resources, business, instructional, and others) to be responsible for oversight of all approved charter schools?	✓	<input type="checkbox"/>	<input type="checkbox"/>
5.5 Does the district monitor charter school audits for timeliness, completeness, and exceptions?	✓	<input type="checkbox"/>	<input type="checkbox"/>

6. Collective Bargaining Agreements

	Yes	No	N/A
6.1 Has the district settled with all its bargaining units for the past two fiscal years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
6.2 Has the district settled with all its bargaining units for the current year?	<input type="checkbox"/>	✓	<input type="checkbox"/>

Interviews indicated that while the primary terms of the agreements with the classified and certificated bargaining units have settled, some remaining negotiation items are still under discussion with the teachers' group.

6.3 Does the district accurately quantify the effects of collective bargaining agreements and include complete disclosure documents that show the impact on its budget and multiyear projections?

Public disclosures were not available for all agreements and memorandums of understanding. Some agreements that included range increases or changes to working conditions for specific members or classifications — despite involving a cost — were not disclosed as required. Additionally, a one-time payment for 2024-25 was disclosed as being funded with restricted funds; however, upon implementation, those restricted funds were no longer available, and unrestricted funds were used instead.

6.4 Based on the presettlement analysis, did the district identify related costs or savings, and did it identify ongoing revenue sources or expenditure reductions to support the agreement in the current and subsequent years?

Presettlement analysis and the public disclosure for the 2023-24 agreement with the Vallejo Education Association, presented at the May 8, 2024 board meeting, indicated that the negotiated increases would cause the district to fall below its minimum reserve requirement for economic uncertainties in 2025-26 without additional, yet-to-be approved budget reductions.

The one-time payments for 2024-25 were initially disclosed as being funded with restricted funds; however, upon implementation, those restricted funds were no longer available, and unrestricted funds were used instead.

6.5 In the current and prior two fiscal years, has the total cost of the district’s bargaining agreement settlements, including step-and-column increases, been at or under the funded cost-of-living adjustment (COLA)?

The district settled with its bargaining units for ongoing salary increases above the COLA in 2022-23. Combined one-time and ongoing salary costs resulted in total compensation increases that exceeded COLA in both 2022-23 and 2023-24. Additionally, the classified unit received both one-time and ongoing salary increases above the 2024-25 COLA. Table 2 summarizes the district’s negotiated compensation increases compared to the applicable COLA for each year.

Table 2. Cost of Vallejo City Unified School District’s Collective Bargaining Agreement Settlements versus COLA, 2022-23 — 2024-25

Fiscal Year	COLA	Certificated Ongoing Salary Costs	Certificated One-time & Ongoing Salary Costs	Classified Ongoing Salary Costs	Classified One-time & Ongoing Salary Costs
2022-23	2.70%	9.10%	16.38%	8.00%	19.76%
2023-24	8.22%	5.50%	10.33%	5.60%	13.58%
2024-25	1.07%	0.72%	0.65%	0.18%	6.10%

Sources: Adapted from “LCFF COLA” (CDE) and the district’s public disclosures of proposed collective bargaining agreements.

6.6 If settlements have not been reached in the past two years, has the district identified resources to cover the costs of the district’s proposal(s)?

- 6.7 Did the district comply with public disclosure requirements under Government Codes 3540.2 and 3547.5, and EC 42142?**
- Over the past several years, the district has entered into multiple written agreements with its bargaining groups. However, not all associated public disclosures were available on the district’s board agenda website. Of the disclosures that were available, most were not signed by the superintendent and the CBO as required before presentation to the board.
- 6.8 Did the superintendent and CBO certify the public disclosure of collective bargaining agreement before board approval?**
- The public disclosures included in the online board agendas were not signed by the superintendent nor the CBO.
- 6.9 Is the governing board’s action consistent with the superintendent’s and CBO’s certification?**
- The public disclosure certifications were not signed at the time they were presented to the board.

7. Contributions and Transfers

- | | Yes | No | N/A |
|--|-------------------------------------|-------------------------------------|--------------------------|
| 7.1 Does the district have an active, board-approved plan to eliminate, reduce or control any contributions/transfers from its unrestricted general fund to other restricted programs and funds? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| <p>The district lacks an active, board-approved plan to eliminate, reduce or control contributions and transfers from the unrestricted general fund to restricted programs. According to the 2024-25 first interim report, the district has budgeted \$31,326,489 in unrestricted contributions as follows:</p> <ul style="list-style-type: none"> • Special education: \$23,808,335. • Navy Junior Reserve Officer Training Corps: \$172,291. • Routine restricted maintenance: \$6,891,319. • Title II, Part A: \$1,609. • California Community Schools Partnership Program: \$128,228. • Classified School Employee Summer Assistance Program: \$12,977. • Teacher Residency Capacity Grant: \$225,000. • Other local revenue programs: \$86,400. | | | |
| 7.2 If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection sufficient transfers from the unrestricted general fund to cover any projected negative fund balance? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

7.3 If any contributions or transfers were required for restricted programs and/or other funds in either of the two prior fiscal years, and there is a need in the current year, did the district budget for them at reasonable levels?

A comparison of the unrestricted contributions projected in the 2024-25 first interim report with those in the 2022-23 and 2023-24 unaudited actuals reports shows a notable decrease in the district’s contribution to special education programs. This reduction is not accompanied by a documented plan or other explanation:

- 2022-23 unaudited actual special education contribution: \$25,047,061.
- 2023-24 unaudited actual special education contribution: \$34,138,827.
- 2024-25 first interim special education contribution: \$23,808,335.

8. Deficit Spending (Unrestricted General Fund)

	Yes	No	N/A
8.1 Is the district avoiding deficit spending in the current fiscal year?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

As of the 2024-25 first interim report, the district projects deficit spending of \$20,323,296 for 2024-25 — an increase of \$14,936,997 from the \$5,386,299 deficit estimated in the 2024-25 adopted budget report.

8.2 Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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As of the 2024-25 first interim report, the district projects deficit spending of \$13,149,931 in 2025-26 and \$6,117,284 in 2026-27.

8.3 If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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On December 11, 2024, the board adopted [Resolution No. 5009](#) as a supplement to the district’s 2024-25 first interim report. The resolution requires the district to submit a detailed budget reduction plan, including a timeline for implementation in the 2025-26 fiscal year, by the 2024-25 second interim report.

8.4 Has the district decreased deficit spending over the past two fiscal years and is there evidence of this in its unaudited actuals reports?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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According to its 2022-23 and 2023-24 unaudited actuals reports, the district’s deficit spending has increased over the past two fiscal years — from a balanced budget in 2022-23 to a deficit of \$2,673,735.66 in 2023-24.

9. Employee Benefits

	Yes	No	N/A
9.1 Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board requirements to determine its unfunded liability for other post-employment benefits (OPEB)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

9.2 Does the district have a plan to fund its OPEB liabilities for the current and two subsequent years such that the total of annual required service payments (whether legally or contractually required, or locally defined such as pay-as-you-go premiums, trust agreement obligations or a board adopted commitment) are no greater than 2% of the district’s unrestricted general fund revenues? ✓

9.3 Within the last five years, has the district conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents? ✓
 Although interviews indicated that a beneficiary eligibility review was conducted several years ago, no documentation was provided to confirm that the review took place.

9.4 Does the district track, reconcile and report employees’ compensated leave balances? . . ✓

9.5 Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances? ✓
 According to the district’s contract with the CSEA, vacation leave accrual is limited to 50 days for employees with 15 or more years of service. The maximum allowable balance in days is 75 days — 50 days carried over plus 25 days earned annually — which equates to 600 hours. However, the district’s leave balance report shows nine staff with balances exceeding 600 hours, including two with more than 1,400 hours. Interviews confirmed that the district has not consistently enforced the accrual limits.

10. Enrollment and Attendance

Yes No N/A

10.1 Has the district’s enrollment been increasing or remained stable for the current and two prior years? ✓

As shown in Figure 3 below, the district’s enrollment has declined over several years and, according to district projections, is expected to continue decreasing into the foreseeable future.

Vallejo City Unified School District Historical and Projected Enrollment, 2019-20 — 2028-29

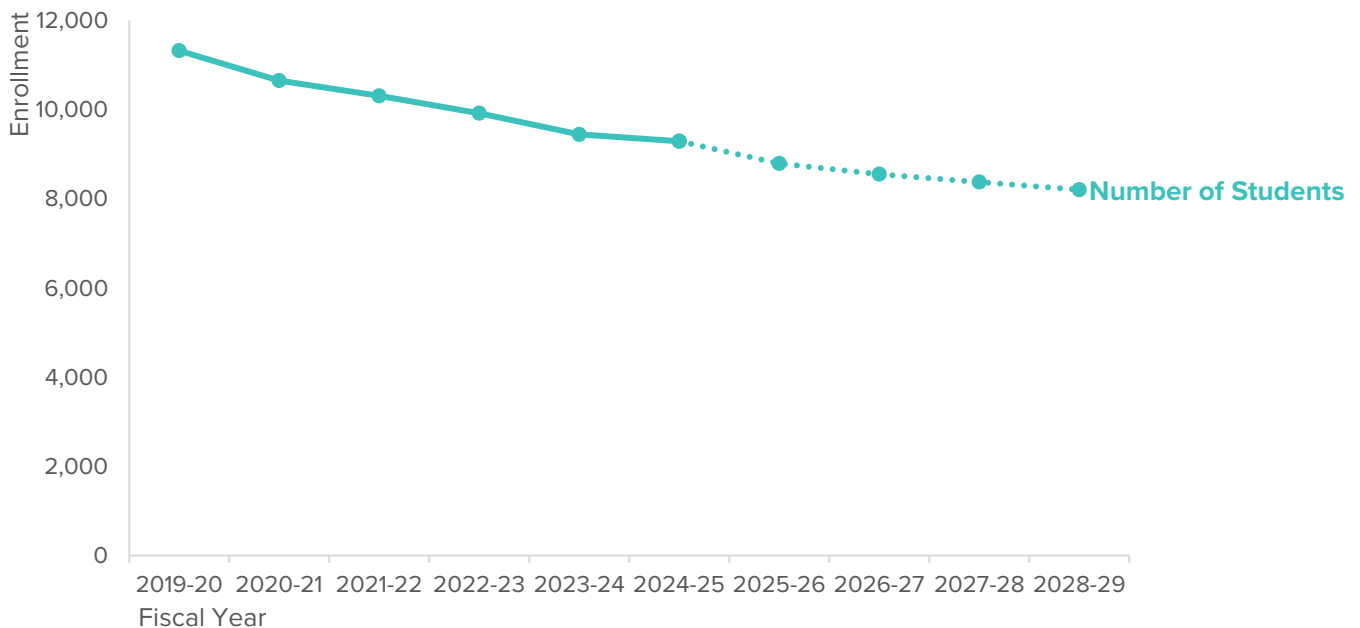


Figure 3. A line graph showing the district’s historical and projected enrollment from 2019-20 through 2028-29.

Sources: Adapted from ‘Enrollment Multi-Year Summary by Grade’ (DataQuest).

Note: Projections for 2024-25 – 2028-29 are based on the district’s 2024-25 first interim report.

- 10.2 Does the district monitor and analyze enrollment and average daily attendance (ADA) data at least monthly through the second attendance reporting period (P-2)?** ✓

The district could not provide evidence that it monitors and analyzes enrollment and ADA on at least a monthly basis through the P-2 reporting period.
- 10.3 Does the district track historical enrollment and ADA data to project future trends?** . . . ✓
- 10.4 Do schools maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the school and district levels?** ✓

The district’s annual independent audit reports for fiscal years 2022-23 and 2023-24 included findings related to inaccurate reporting of “P-2” and “Annual” attendance reports. According to the audits, these discrepancies resulted from data entry errors and deficiencies in internal controls.
- 10.5 Are the district’s enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable factors?** ✓
- 10.6 Has the district planned for enrollment losses to any charter schools?** ✓
- 10.7 Do all applicable schools and departments review and verify their respective California Longitudinal Pupil Achievement Data System (CALPADS) data and correct it as needed before the report submission deadlines?** ✓
- 10.8 Has the district certified its CALPADS data (most recent Fall 1, Fall 2, and end-of-year reports) by the required deadlines?** ✓
- 10.9 Does the district follow established board policy to limit outgoing interdistrict transfers and ensure that only students who meet the required qualifications are approved?** ✓

The district is in the process of revising its Administrative Regulation 5117: Interdistrict Attendance Agreements and Permits to establish more rigorous criteria for approving outgoing interdistrict transfers. According to interviews, the district has historically not restricted these transfers. Additionally, the district did not provide data on the number of outgoing students it has approved.
- 10.10 Does the district adhere to the average TK-3 class enrollment limits at each school, the adult-to-student ratio for each TK class, and the credentialing requirements for teachers assigned to TK classes as defined in the Education Code?** ✓

11. Facilities

- | | Yes | No | N/A |
|---|-----|--------------------------|--------------------------|
| 11.1 If the district participates in the state’s School Facility Program, has it made the required contribution to its Routine Restricted Maintenance Account? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 11.2 Does the district have sufficient and available resources to cover all contracted obligations for capital facilities projects? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 11.3 Does the district properly track and account for facility-related projects? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |

- 11.4 Does the district use its facilities fully (districtwide) in accordance with the Office of Public School Construction’s loading standards?** ✓
- The district has acknowledged that it is underutilizing its facilities and is actively working to consolidate and close sites to better align capacity with current needs. A calculation completed by the district in October 2024 found that, with a total capacity of 21,120 and an enrollment of 9,679, the district has 11,441 excess seats — resulting in a facility utilization rate of just 45.82%.
- 11.5 Does the district include facility needs (maintenance, repair, and operating requirements) when adopting a budget?** ✓
- 11.6 Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues?** ✓
- 11.7 If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens’ bond oversight committee?** ✓
- 11.8 Does the district have a board-approved long-range facilities master plan completed within the last five years that reflects its current and projected facility needs?** ✓
- The district’s facilities master plan is a comprehensive document that addresses all district sites and outlines current and future facility and educational program needs totaling over \$728 million. Last revised in 2019, the plan is due for review and potential updates to ensure it accurately reflects current conditions, priorities and costs.

12. Fund Balance and Reserve for Economic Uncertainties

- | | Yes | No | N/A |
|--|--------------------------|--------------------------|--------------------------|
| 12.1 Is the district able to maintain the minimum reserve for economic uncertainties in the current year (including Fund 01 and Fund 17) as defined by the <u>State Standards and Criteria for Fiscal Solvency</u>? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 12.2 Is the district able to maintain the minimum reserve for economic uncertainties in the two subsequent years? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 12.3 If the district is not able to maintain the minimum reserve for economic uncertainties, does the district’s multiyear projection include a board-approved plan to restore the reserve? | <input type="checkbox"/> | <input type="checkbox"/> | ✓ |
| 12.4 Is the district’s projected unrestricted fund balance stable or increasing in the two subsequent fiscal years without unsubstantiated revenue increases or expenditure reductions? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| According to its 2024-25 first interim report, the district projects a declining unrestricted ending fund balance of \$13,651,082 in 2025-26 and \$7,533,798 in 2026-27. | | | |
| 12.5 If the district has unfunded or contingent liabilities or one-time costs other than post-employment benefits, does the unrestricted general fund balance include sufficient assigned or committed reserves above the recommended reserve level to cover these costs? | <input type="checkbox"/> | <input type="checkbox"/> | ✓ |

13. General Fund – Current Year

	Yes	No	N/A
<p>13.1 Does the district ensure that one-time revenues do not pay for ongoing expenditures? . . . <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/></p> <p>The district’s 2024-25 first interim report projects the use of one-time funding sources to offset a projected ongoing structural deficit, including:</p> <ul style="list-style-type: none"> • \$6.5 million in 2025-26 from the one-time sale of surplus property (local revenue). • A \$10 million transfer in 2026-27 from one-time funds in Special Reserve for Other than Capital Outlay Fund 17. 			
<p>13.2 Is the percentage of the district’s general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the prior year statewide average? <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>			
<p>13.3 Is the percentage of the district’s general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below that of the prior two years? <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>			
<p>13.4 If the district has received any uniform complaints or legal challenges regarding local use of supplemental and concentration grant funding in the current or prior two years, is the district addressing the complaint(s)? <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/></p>			
<p>13.5 For positions supported with one-time or restricted funding, does the district either ensure that these funds are sufficient to pay for these staff or have a plan to pay for the positions with unrestricted funds? <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>			
<p>13.6 Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time? <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/></p> <p>The district did not fully expend and report its 2022-23 allocations for the following federal programs by September 30, 2024:</p> <ul style="list-style-type: none"> • Title III , English learner: \$57,977 (CDE). • Title IV : \$86,936 (CDE). 			
<p>13.7 Does the district account for all program costs, including the maximum allowable indirect costs, for each restricted resource and other funds? <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>			
<p>13.8 Are all balance sheet accounts in the general ledger reconciled at least at each interim reporting period and at year-end close? <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/></p> <p>A consulting accounting firm issued a fiscal systems review report dated November 1, 2023 , which found that district balance sheet accounts had not been reconciled for multiple years. The firm’s analysis identified 70 accounts requiring adjustments, with individual correction ranging from under \$100 to several million dollars.</p> <p>A follow-up report dated January 17, 2025, noted a significant improvement. However, 12 district accounts remain unreconciled, with a combined net correction of \$53,410.18.</p>			

14. Information Systems and Data Management

	Yes	No	N/A
<p>14.1 Does the district use an integrated financial and human resources system? <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>			

14.2	Does the district use the system(s) to provide key financial and related data, including personnel information, to help the district make informed decisions?	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.3	Has the district accurately identified students who are eligible for free or reduced-price meals, English learners, and foster youth, in accordance with the LCFF and its LCAP?.	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.4	Is the district using the same financial system as its COE?.	✓	<input type="checkbox"/>	<input type="checkbox"/>
14.5	If the district is using a separate financial system from its COE, is there an automated interface that allows data to be sent and received by both the district's and COE's financial systems?.	<input type="checkbox"/>	<input type="checkbox"/>	✓
14.6	If the district is using a separate financial system from its COE, has the district provided the COE with direct access so the COE can provide oversight, review and assistance?.	<input type="checkbox"/>	<input type="checkbox"/>	✓

15. Internal Controls and Fraud Prevention

	Yes	No	N/A
15.1 Does the district have controls that limit access to its financial system and include multiple levels of authorization?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.2 Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions, or demotions) and at least annually?	<input type="checkbox"/>	✓	<input type="checkbox"/>
The district does not have a defined process to review security access to its financial system on at least an annual basis. Staff reported having access to system functions beyond those required for their assigned duties.			
15.3 Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:			
• Accounts payable (AP).	✓	<input type="checkbox"/>	<input type="checkbox"/>
• Accounts receivable (AR)..	✓	<input type="checkbox"/>	<input type="checkbox"/>
• Purchasing and contracts.	✓	<input type="checkbox"/>	<input type="checkbox"/>
• Payroll..	✓	<input type="checkbox"/>	<input type="checkbox"/>
• Human resources (i.e., duties related to position control and payroll processes).	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.4 Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.5 Does the district review and work to clear prior year accruals throughout the year?.	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.6 Has the district reconciled and closed the general ledger (books) within the time prescribed by the county superintendent of schools?	✓	<input type="checkbox"/>	<input type="checkbox"/>

- 15.7 Does the district have processes and procedures to discourage and detect fraud?**
- Although the district has adopted Board Policy 3400, Management of District Assets/Accounts, and Administrative Regulation 3400, as well as Board Policy 3405, Fraud Awareness, Identification, and Prevention, and Administrative Regulation 3405, the related processes and procedures are not actively implemented.
- For example, the reporting process references a Fraud Incident Report form available on the district’s website that can be submitted anonymously. However, FCMAT was unable to locate the form online, and staff were unfamiliar with the process for anonymously reporting suspected fraud.
- 15.8 Does the district have a process for collecting reports of possible fraud (such as an anonymous fraud reporting hotline) and for following up on such reports?**
- The district does not have a clearly established process for collecting reports of possible fraud or for guiding appropriate follow-up. Although both Board Policy and Administrative Regulation 3405 outline staff responsibilities and procedures for responding to suspected fraud, staff were unaware of both the policy and their roles in the process.
- 15.9 Does the district have an internal audit process?**
- The district has two positions associated with the internal audit process: a director of audit and compliance, and an accounting analyst. At the time of fieldwork, the director position was vacant, and the responsibilities typically associated with an internal audit process, such as independently evaluating operations, internal controls and risk management practices, were not being performed. Additionally, the accounting analyst was not assigned or performing any duties related to the internal audit process.

16. Leadership and Stability

- | | Yes | No | N/A |
|--|--------------------------|--------------------------|--------------------------|
| 16.1 Does the district have a chief business official who has been in this position with the district for more than two years? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.2 Does the district have a superintendent who has been in this position with the district for more than two years? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| The district’s superintendent started in July 2024. | | | |
| 16.3 Does the superintendent schedule and hold meetings regularly with all members of their administrative cabinet? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.4 Is training on financial management and budget provided to school and department administrators who are responsible for budget management? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.5 Does the governing board adopt and revise policies and administrative regulations annually? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.6 Are newly adopted or revised policies and administrative regulations implemented, communicated, and available to staff? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.7 Do all board members attend training on the budget and governance at least every two years? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.8 Is the superintendent’s evaluation performed according to the terms of the contract? . . . | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |

16.9 Is the district avoiding relying on consultants to prepare financial reports (e.g. SACS) or other primary fiscal activities?

At the time of fieldwork, the district did not have a CBO and was relying on a consultant to support business operations, including interim reporting and budget projections. The previous CBO resigned in January, and a new CBO is expected to begin in April 2025.

17. Multiyear Projections

	Yes	No	N/A
17.1 Has the district developed multiyear projections that include detailed assumptions aligned with industry standards?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>Portions of the multiyear projection in the district’s 2024-25 first interim report are aligned with industry standards and clearly communicated. For example, revenue and inflation assumptions are based on county office guidance and clearly explained in the board presentation. However, assumptions in other areas of the multiyear projection lack clarity or supporting detail. For example:</p> <ul style="list-style-type: none"> • Other adjustments applied to classified salaries are not described in the report or related presentation materials. • Changes in restricted expenditures are broadly attributed to the removal of one-time carryover and expiring restricted programs, without further explanation. 			
17.2 To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation that includes multiyear considerations?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.3 Does the district use its most current multiyear projection when making financial decisions?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.4 If the district uses a broad adjustment category in its multiyear projection (such as line B10, B1d, B2d Other Adjustments, in the SACS Form MYP/MYPI), is there a detailed list of what is included in the adjustment amount and are the adjustments reasonable?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

18. Non-Voter-Approved Debt and Risk Management

	Yes	No	N/A
18.1 Are the sources of repayment for non-voter-approved debt (such as certificates of participation (COPs), bridge financing, bond anticipation notes (BANs), revenue anticipation notes (RANs) and others) stable, predictable, and other than the unrestricted general fund?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
18.2 If the district has issued non-voter-approved debt, has its credit rating remained stable or improved during the current and two prior fiscal years?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
18.3 If the district is self-insured, has it completed an actuarial valuation as required and does it have a plan to pay for any unfunded liabilities?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18.4 If the district has non-voter-approved debt (such as COPs, bridge financing, BANs, RANs and others), is the total of annual debt service payments no greater than 2% of the district’s unrestricted general fund revenues?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

19. Position Control

	Yes	No	N/A
<p>19.1 Does the district account for all positions and costs (including substitutes, overtime, stipends, and employer-paid benefits) in position control?</p> <p>The position control report provided by the district did not include benefits, extra-time or stipends. Further, the report listed some vacant positions that may or may not be filled. Interviews indicated that several long-vacant positions had been removed from position control, even though the district was actively recruiting for at least one of them and had extended a job offer.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>19.2 Does the district analyze and adjust staffing based on staffing ratios and enrollment? . . .</p> <p>The district uses a spreadsheet to project staffing needs based on enrollment. For 2024-25, the spreadsheet indicates a need for 372.8 full-time equivalent (FTE) positions, compared to the current staffing level of 377 FTE.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>19.3 Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim financial reporting periods?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>19.4 Does the district identify a budget source for each new position before the position is authorized by the governing board?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>19.5 Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>19.6 Do managers and staff responsible for the district’s human resources, payroll and budget functions meet at least monthly to discuss issues and improve processes?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

20. Special Education

	Yes	No	N/A
<p>20.1 For special education classrooms and support services, does the district use staffing ratios that align with statutory requirements and industry standards, and are students’ support needs also considered? If so, are those needs documented and evaluated at each budget cycle?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>20.2 Does the district access all available funding sources for costs related to special education (e.g., state excess cost pool, legal fees, mental health)?</p> <p>The district is undergoing a transition in special education leadership and currently operates as a stand-alone Special Education Local Plan Area. There is no evidence that the district has accessed additional funding sources to support its special education costs.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>20.3 Does the district use appropriate tools to help it make informed decisions about whether to add services (e.g., special circumstance instructional assistance process and form, transportation decision tree)?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

20.4 Does the district budget and account correctly for all costs related to special education (e.g., transportation, due process hearings, indirect costs, nonpublic schools and/or nonpublic agencies)?

According to its 2024-25 first interim report, the district significantly underbudgeted for nonpublic agency services. In addition, several other charges that were previously budgeted and expended in prior years are either not included or have been significantly reduced in the 2024-25 budget, raising questions about whether all anticipated costs have been fully accounted for.

20.5 Does the district monitor contributions from the unrestricted general fund and adjust to trends in the special education program?

20.6 Is the district’s rate of identification of students as eligible for special education at or below the countywide and statewide average rates?

According to DataQuest, the district’s special education identification rate in 2023-24 was 13.96%, slightly above the countywide rate of 13.95% and the statewide rate of 13.70%.

20.7 Does the district analyze whether it will meet the maintenance of effort requirement at each interim financial reporting period?

Risk Score, 20 numbered sections only: 36.3%

Key to Risk Score from 20 numbered sections only:

High Risk: 40% or more

Moderate Risk: 25-39.9%

Low Risk: 24.9% and lower

District Fiscal Solvency Risk Level, all FHRA factors: High

(The existence of any condition from the “Budget and Fiscal Status” section, and/or a material weakness, will supersede the score above because it elevates the district’s risk level.)

Appendix

Appendix A – Study Agreement

Appendix A – Study Agreement



FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT FOR TRIGGERED FISCAL HEALTH RISK ANALYSIS

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 Vallejo City Unified School District, 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, FCMAT will study the Client's fiscal health because the Client's 2024-25 first interim financial report, certified under EC 42130 and 42131, marks its third consecutive qualified certification.

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.

FCMAT will notify the Client's county superintendent of schools of this Agreement.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

Prepare an analysis using the 20 factors in FCMAT's [Fiscal Health Risk Analysis](#) (FHRA) and identify the Client's specific risk rating for fiscal insolvency.

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 the 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.

7. Board Presentation

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

3. **PROJECT PERSONNEL**

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

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

4. **PROJECT COSTS**

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

5. RESPONSIBILITIES OF THE CLIENT

- A. Return current organizational chart(s) that show the Client’s management and staffing structure with the signed copy of this Agreement. Organizational charts should be relevant to the scope of this Agreement.
- B. Provide private office or conference room space for the Team’s use during fieldwork.
- C. Provide for a Client employee to upload all requested documents and data to FCMAT’s online SharePoint repository per FCMAT’s instructions. Provide FCMAT with the name and email of the person who will be responsible for collecting and uploading documents requested by FCMAT with the signed copy of this Agreement.
- D. Provide documents and data requested on the Team’s initial and supplementary document request list(s) by the date requested.

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

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

- E. Ensure appropriate senior-level staff are available for the orientation and exit meetings.
- F. Facilitate access to requested board members, officers and staff for interviews.
- G. Facilitate access to requested information and facilities to include, but not be limited to, files, sites, classrooms and operational areas for observation.
- H. Review a draft of the report and return it to FCMAT by the date FCMAT requests with any comments regarding the accuracy of the report’s data or the practicability of its recommendations. The Team will review this feedback in a timely manner and make any adjustments it deems necessary before issuing the final report.
- I. Return the requested evaluation survey to FCMAT as described below.

6. PROJECT SCHEDULE

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

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

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

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, 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 FHRA 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, with the Client named as additional insured, 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 or final report, or when FCMAT makes 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: Ruben Aurelio, Superintendent


Telephone: (707) 997-8921

Email: raurelio@vcusd.org

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:



Ruben Aurelio, Superintendent
Vallejo City Unified School District

3/11/25

Date

For FCMAT:

Michael H. Fine Digitally signed by Michael H. Fine
Date: 2025.03.13 17:00:16 -07'00'

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

Date