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Summary of Governance and Finance Issues in the Jefferson Elementary School District

Issue

What can the Jefferson Elementary School District do to solve its ongoing governance and finance problems?

Summary

During the 2005-2006 school year, the Jefferson Elementary School District and its Board of Trustees have been the objects of critical press coverage. Newspaper articles have described negative interactions and behavior among board members, the District's mounting financial difficulties, and high staff turnover in the business department of the District.

The San Mateo County Civil Grand Jury (Grand Jury) interviewed Jefferson Elementary School District administrative staff, board members, and representatives of the classified and certificated staffs. Members of the Grand Jury attended a meeting of the Board of Trustees and reviewed the June 2005 Audit Report and its recommendations.

Through its investigation, the Grand Jury found that despite a number of positive and corrective actions taken by the newly elected Board after its seating in December 2005, there are still serious problems in the District that require correction. The Grand Jury arrived at six recommendations focusing on four major problem areas:

1. The proper roles, responsibilities, and comportment of school board members in performing their official duties
2. Fiscal problems as reported in the June 2005 Audit Report
3. Classified staff hiring procedures and the Personnel Commission
4. Communications with the community

The Grand Jury expects the School Board to make substantive changes in these areas, to address each problem in a timely manner, and to work together for the ultimate benefit of the students in the District.



Governance and Finance Issues in the Jefferson Elementary School District

Issue

What can the Jefferson Elementary School District do to solve its ongoing governance and finance problems?

Background

The Jefferson Elementary School District and its Board of Trustees have been the object of considerable negative press coverage during the past year. The financial condition of the District has been reported to be seriously deteriorating. Against this backdrop, the November 2005 school board election was highly contentious. It resulted in strained relations between teachers and Board members. Since then, there have been discordant relations between Board members themselves, which led to an alleged physical confrontation between two of them.

An unusual feature of the District is the Personnel Commission, established in 1967, which has sole responsibility of administering a merit system for all classified employees. Commissions of this type are rarely found in districts as small as Jefferson.

Investigation

The San Mateo County Civil Grand Jury (Grand Jury) interviewed Jefferson Elementary School District administrative staff, all board members, and representatives of the classified and certificated staffs¹. In addition to conducting interviews, the Grand Jury also reviewed articles published in the local press, attended a meeting of the Board of

¹ Certificated employees are those who are required by Education Code to possess a teaching credential; all other employees are considered classified.

Trustees, and reviewed the 2005 State mandated annual Audit Report and its recommendations.

Findings I. Roles and Responsibilities of Board Members

- Board members are not fully aware of their roles, responsibilities, and limitations and have overstepped their bounds in interactions with District staff. Over the past several years board members have inappropriately taken a role in contract negotiations, attended Administrative Council meetings, inspected PTA and Site Council financial records, and caused budget delays that impacted hiring and instruction.
- In the summer of 2004 the Board usurped the Superintendent's responsibility for decision-making in personnel matters.
- In response to a series of problems involving interactions among Board members themselves and between Board members and School District staff, the newly elected Jefferson Elementary School Board adopted the following changes to its By-Laws on January 11, 2006:

BB 9200 "Requests requiring more than 15 minutes of staff time shall be submitted through the Board President."

BB9200(a) "Individual Board members do not have the authority from the Board to attend district staff meetings without an approved invitation from the Superintendent or the Board majority. Individual Board members who wish to meet with the Superintendent shall make an appointment."

BB9200(b) "The Board will govern itself with dignity and respect for each other, staff members and the public. Disrespectful or abusive behavior by individual Board members may result in public censure by the Board. For continuing infractions, the Board majority may file formal complaints with external agencies such as the Grand Jury and District Attorney."

BP 4117.2 "The Board authorizes the Superintendent or designee to accept an employee's written resignation and to set its effective date. Once the Superintendent or designee has accepted and set an effective date for this resignation, the resignation may not thereafter be withdrawn by the employee."

- One Board member, who was in the minority in a recent 3-2 vote denying a Personnel Commission request for increased funding, spoke publicly against the Board vote in a subsequent Personnel Commission meeting. This is in direct violation of procedures stated in the California School Boards Association

(CSBA) Governance Manual, which stresses the importance of presenting a united front in support of district positions. The manual states that "once a majority of the board has adopted a particular policy or position, that position should not be undermined by individual members."

Findings II. Financial Issues

- The Jefferson School District serves 6,000 students and has a total budget of \$42 million. Of this, \$13 million is dedicated to funding required programs (Special Education, Title 1, Gifted and Talented, etc.), while the balance of \$29 million is considered unrestricted and available for general use (salaries, maintenance, materials, etc).
- Accounting errors have contributed to reducing the District's reserves to near the state-mandated minimum. These errors include:
 - In 2004-2005, the District failed to recognize \$450,000 in expenses for payroll benefits.
 - Health benefit expenses were underestimated by \$1.3 million.
 - County Special Education charges of \$1.3 million were unanticipated and not budgeted.

Had these items been identified in a timely manner the District could have responded proactively and reduced other expenditures.

- Mandated Special Education programs cost the District \$7.7 million in 2005-2006. Of that, the state reimburses \$2.6 million, leaving a \$5 million shortfall to be paid out of District general funds.
- The Jefferson School District's 2006-2007 budget must be submitted by June 30, 2006, and may include spending cuts of up to \$600,000 to achieve the mandated balanced budget.
- On January 11, 2006, the newly seated board (December 2005) requested that the California Department of Education's Fiscal Crisis Management and Assistance Team (FCMAT) examine the District's finances. The Board currently is reviewing the FCMAT report.
- The June 2005 Audit Report contained 11 recommendations, several of which were repeated from the prior year's audit because they had not been implemented. The District is facing a June 30, 2006, deadline requiring implementation of all recommendations. Some of the recommendations are as follows:
 - The District should provide adequate training for and supervision of all employees in the accounting department.
 - The District budget must be continually monitored and updated, and budgeting should be a long-range process. In response, the District has

hired an Assistant Superintendent of Business who has the qualifications to ensure that the problems described by the auditors are corrected.

- The District should contract with a qualified actuary to determine the impact of retiree health and welfare benefits.
- The District should enforce the district vacation policy that requires employees to use excess vacation time or lose it. Excess accumulated vacation time creates a fiscal liability for the district. The District noted in its response to the auditors that without a rule change from the Personnel Commission the policy cannot be enforced (see Findings III).
- Current procedures lack a system of checks and balances for adequate inventory control in warehouse stores.
 - All requisitions should require the signature of a District employee other than the warehouse custodian.
 - Inventory value should be supported with inventory records that provide a clear audit trail between year-end counts and the amount recorded on the District's books.
 - The District should maintain its inventory on a computerized system.

- The District and Board engaged the services of a property consultant to determine how to develop or use surplus land and buildings at two school sites, Colma and Christopher Columbus. Their objective is to supplement the operating funds of the District. The Board is reviewing the report of the property consultant at this time.

- The Board recently contracted with a former Jefferson School District superintendent to serve as financial consultant. He has been charged with reviewing the operations of the district in an effort to generate savings and to work collaboratively with the property consultant. The financial consultant emphasized that the "need to generate ongoing income for the general fund should be the immediate goal of the board." In a second report, the financial consultant suggested numerous possible cuts and changes designed to reduce the expected deficit for 2006-07 and to generate savings that could be used for district-wide salary increases.

Findings III. Personnel Commission

- The Jefferson Elementary District has a Personnel Commission whose sole function is to administer a merit system to protect the District's classified employees. It was established in 1967 and consists of three salaried members plus three additional appointed commissioners. The Commission presides over the rules governing the merit system and makes decisions regarding hiring.
 - The paid staff of the Personnel Commission consists of a director, a secretary, and a typist. The 2005-2006 budget for salaries and benefits of the Personnel Commission is \$263,923 of which \$25,923 is paid to non-

- employee commissioners, who meet once a month and receive \$50 per meeting plus total benefits of approximately \$800 per month.
- In the 2005 - 2006 school year the Personnel Commission overspent its budget by \$18,528. (Expenditures total \$284,158.)
 - The Commission has requested an additional 8% increase in their budget for the next school year, despite the fact that the District might need to cut up to \$600,000 for the coming year.
 - The Personnel Commission duplicates some functions of the Human Resources department and many activities of the classified employees union (California School Employees Association - CSEA). One unique rule of the Personnel Commission provides an employee the right of appeal in cases of termination. Some consider this important; however, in the past twenty-five years, there have been no appeals under this rule.
 - Current policy allows an employee to accrue unlimited unused vacation time. The audit report recommended ways to reduce this substantial liability, but the Personnel Commission's rules prevent any change in the basic vacation policy.
 - Personnel Commission rules and procedures govern all hiring except for certificated personnel. In December of 2005, the position of secretary to the Superintendent became vacant. It remains vacant in June of 2006. The Commission's procedures require that the names of three candidates, selected by the Commission, be forwarded to the Superintendent as acceptable candidates. According to their rules, the Superintendent must hire one of the three candidates. Because candidates have yet to be presented, the Superintendent has been without a secretary for more than half of the current school year.
 - Currently the position of Controller is open. Commission procedures have delayed filling this critical position and impacted the district's financial health.
 - Personnel commissions are highly unusual in small school districts. They are more often found in large city school districts such as Los Angeles.

Findings IV. Community Outreach

- Recently the District and the city of Daly City combined resources in a joint effort to build an all-weather athletic field at T. R. Pollicita School. The synthetic turf field will be available to the school and to the community under a Joint Use Agreement.
- A parent group is seeking grant funding and resources to televise and broadcast Board meetings to the community in a six-month pilot program. The parent group's stated goal is to disseminate information and create awareness of issues more broadly to the community.
- The District maintains a web site that is difficult to navigate.

Conclusions

Since the seating of the newly elected Board in December of 2005, a number of corrective actions have been taken, and others are in process. The Grand Jury, found serious problems, however, in the governance of the Jefferson Elementary School District. Some members of the School Board do not conduct themselves within the scope and limitations of their legitimate roles as board members. They have far exceeded their authority by bypassing professional staff and attempting to micro-manage the day-to-day operation of the district.

The financial problems of the District have been caused by a combination of factors, including declining enrollment, high turnover of fiscal management staff, and delays in finding and rectifying a series of accounting errors.

Serious conflicts among the Board members have handicapped the Board's effectiveness. This behavior has exacerbated the already significant deterioration in the financial condition of the District.

The Grand Jury believes that improvement in the condition of the district is dependent on both the professional comportment of Board members and their immediate attention to and correction of pressing financial issues.

To ensure effective governance of the school district, the community must be regularly and fully informed of the issues and of the conduct of the board in addressing those issues.

Recommendations

The Grand Jury recommends that the Jefferson Elementary School District Board of Trustees:

1. Enforce the changes to the Bylaws of the Board noted in Findings I and adopted January 11, 2006, which address the day-to-day operations of the district by administrative staff and the proper comportment of Board members in their official role.
2. As a full board, complete a formal training course, as offered by the California School Boards Association (CSBA), on the responsibilities and limitations of School Board Members. This CSBA training must be completed during the 2006-2007 school year.
3. Direct the Superintendent to negotiate with the Classified Employees Union to eliminate the Personnel Commission.

4. Direct the Assistant Superintendent of Business Services to implement all 11 recommendations of the June 2005 Audit Report before the 2006 Audit takes place.
5. Assign members of the Board to meet regularly with members of the City Council of Daly City to identify and develop projects of mutual benefit.
6. Improve communication with the community by:
 - 6.1. Televising and broadcasting Board meetings
 - 6.2. Inviting reporters from local newspapers to attend and report on each Board meeting
 - 6.3. Posting all Board meeting agendas and approved minutes on the district web site in an easily accessible format.

Jefferson Elementary School District

August 14, 2006

Response to the Grand Jury Recommendation

School Board Members gave opening statements of their individual responses regarding the Grand Jury recommendations at the Board Meeting on August 9, 2006. Individual Board Members' written statements will be included as an Appendix to the Board's Response to the Grand Jury Recommendations.

The entire Board reviewed the Grand Jury's recommendations and listed below are the Board's responses.

Grand Jury Recommendation:

1. Enforce the changes in the By-laws of the Board noted in Findings 1 and adopted on January 11, 2006. (see page 3 of the Grand Jury report)
 - a. *BP 9200 "Request requiring more than 15 minutes of staff time shall be submitted through the Board President."*

Board Response: The Board and Superintendent believe the Board has followed Board Policy BP 9200 since January 11, 2006. Board agreed that requests **shall** be submitted to the Board President and/or to the Superintendent.
 - b. *BP 9200 (a) Individual Board Members do not have the authority from the Board to attend district staff meetings without an approved invitation from the Superintendent or the Board majority. Individual Board members who wish to meet with the Superintendent shall make an appointment.*

Board Response: Board and Superintendent believe the Board has complied with Board Policy BP 9200 (a) since January 11, 2006.
 - c. *BP 9200 (b) The Board will govern itself with dignity and respect for each other, staff members and the public. Disrespectful or abusive behavior by individual Board members may result in public censure by the Board. For continuing infractions, the Board majority may file formal complaints with external agencies such as the Grand Jury and/or District Attorney.*

Board Response: Board Members have not followed their Board Policy BP 9200 (b). In order to comply, the Board has formed a sub-committee to address Board Procedures and Board Department. The Board is committed to participate in a two-day study or training session on Board governance and enhancement.

- d. *BP 4117.2 “The Board authorizes the Superintendent or designee to accept an employee’s written resignation and to set its effective date. Once the Superintendent or designee has accepted and set an effective date for this resignation, the resignation may not thereafter be withdrawn by the employee.”*

Board Response: Board and Superintendent believe the Board has complied with Board Policy 4117.2 since January 11, 2006.

Grand Jury Recommendation:

2. As a full Board, complete a formal training course as offered by the California School Boards Association. This CSBA training must be completed during the 2006-2007 school year.

Board Response: Board is committed to attending a two-day Board governance consensus building session and if unsuccessful to consider the 8-day CSBA training.

Grand Jury Recommendation:

3. Direct the Superintendent to negotiate with the Classified Employees Union to eliminate the Personnel Commission.

Board Response: **The implementation of this recommendation would be in violation of current law.** The Board will contact the Personnel Commission and schedule a joint meeting in the Fall 2006 to define the roles and responsibilities of the Board and Commission and to improve communication.

Grand Jury Recommendation:

4. Direct the Assistant Superintendent of Business Services to implement all 11 recommendations of the June 2005 Audit Report before 2006 Audit takes place.

Board Response: All audit recommendations have been implemented.

Grand Jury Recommendation:

5. Assign members of the Board to meet regularly with members of the City Council of Daly City to identify and develop projects of mutual benefit.

Board Response: The Board already meets regularly with the City of Daly City, Town of Colma and Broadmoor to identify and develop projects of mutual benefit. The Board also agreed to include the City of Pacifica.

Grand Jury Recommendation:

6. Improve communications with the community by: (see page 6)

6.1 *Televising and broadcasting Board meetings.*

Board Response: This project is in the planning stage. Superintendent is working with the City Manager for the City of Daly City to negotiate expenses associated with televising Board meetings.

6.2 *Inviting reporters from local newspapers to attend and report on each Board meeting.*

Board Response: The media is sent copies of the Board agenda and press releases and invited to attend Board meetings. Reporters often call to discuss items on the agenda.

6.3 *Posting all Board meetings and approved minutes on the district website in an easily accessible format.*

Board Response: The School Board does not currently have a website manager. The Board discussed financial constraints to hiring a webmaster or consultant. The Superintendent will contact other school districts for information on their websites. The Superintendent will look into the finances necessary to meet this recommendation.

Submitted by

Jefferson Elementary School Board

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