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SUPERINTENDENT

December 8, 2021

Board President Andrew T. Mason
Superintendent José Espinoza
San Bruno Park School District
500 Acacia Ave
San Bruno, CA 94066

Subject: Going Concern Determination

Dear Board President Mason and Superintendent Espinoza:

Education Code section 42127.6 requires the County Superintendent to provide a notice of going concern determination to the governing board of the school district if at any time during the fiscal year the County Superintendent determines that a school district may be unable to meet its financial obligations based on the criteria and standards for fiscal stability. We have utilized the Financial Crisis Management Assistance Team (FCMAT) Indicators of Risk or Potential Insolvency (available [here](#)) and have determined San Bruno Park School District (SBPSD or District) shows a lack of function, commitment, or attention to the following Indicators:

- Insufficient Budget Monitoring or Updates
 - Actual revenues and expenditures inconsistent with the most current budget
- Inattention to Enrollment and Attendance Reporting
 - Enrollment decreasing and/or unstable
 - Enrollment projections and assumption not based on historical data, industry-standard methods, and other reasonable considerations
- Breakdown in Leadership and Communication
 - Lack of stability in the chief business official and superintendent positions
 - Lack of regular communication between the superintendent and all members of the administrative cabinet
 - Board policies and administrative regulations routinely ignored, not adopted, not updated, not implemented, and/or not communicated staff
 - Micromanagement by board members ongoing despite trainings, board governance sessions, and guidance from SMCOE
- Related Issues of Concern
 - Special Education Study completed by School Services of California 3/23/2017 recommendations not implemented
 - Going Concern designation made in 2016-17

The District's ability to maintain a minimum reserve level is only one of the criteria for fiscal stability adopted by the State Board of Education. There are fifteen indicators of risk or potential insolvency as documented by FCMAT which must be considered in evaluating a District's financial health, which are described below in greater detail. The existence of any one of the Indicators increases risk of potential insolvency and the need for assistance from outside agencies. Lack of attention to these Indicators will eventually lead to financial insolvency and loss of local control.

My predecessor, County Superintendent Anne Campbell, and I have endeavored to support the district in improving its governance beginning in March of 2015, when the San Mateo County Office of Education (SMCOE) facilitated a Board Study Session around the District's budget and governance challenges. SMCOE facilitation for Board governance continued through 2016-17, and in June – December, 2019, the SMCOE provided additional support via ACSA/CCEE Board Governance sessions with Dr. Franco. I also attended numerous District board meetings during this period, where I observed the budget and governance challenges firsthand.

Superintendent Campbell issued a Lack of Going Concern letter on October 14, 2016. The analysis of the District's fiscal challenges included a reduction in fund balance which adversely impacted reserve levels, a substantial underestimation of expenditure projections, higher expenditures than budgeted, and failure of the Board to implement spending reductions and/or revenue augmentation incorporated into the Budget Action Plan approved by the SBPSD Board on February 15, 2015. Superintendent Campbell's letter explained that the District's risk of insolvency was significant unless the District took immediate action to address the operating deficits.

The areas noted as the basis for the Going Concern letter in 2016 were largely addressed by the improved financial landscape at the state level and increased property tax revenue locally. The turnover in Superintendent and Chief Business Official positions limited and/or prohibited actions by SBPSD to address the underlying fiscal concerns.

The continual turnover in District leadership with along with chronic challenges in the board's leadership creates an environment where the organization's financial processes are beginning to fail. SMCOE notes the following concerns based on the FCMAT indicators of risk or potential insolvency:

Inattention to Enrollment and Attendance Reporting (FCMAT Indicator #2)

In reviewing SBPSD's current budget reports it is noted there are revenues and expenditures where actuals have been recorded without corresponding budget amounts. Furthermore, it is noted there are one-time revenues included in the budget without corresponding expenditures included in the budget. This can drastically overestimate the District's reserve balances.

Inattention to Enrollment and Attendance Reporting (FCMAT Indicator #8)

A review of SBPSD's Multi-Year Projection (MYP) shows the District estimates flat enrollment projections in the out years. This is inconsistent with trend analysis which shows the District has experienced declining enrollment historically. Although SBPSD is a basic aid district, and enrollment does not have a direct impact on unrestricted revenues, providing estimates of enrollment based on trends allows for better information to base staffing and program costs, and to support costs in future years.

Breakdown in Leadership and Communication (FCMAT Indicator #11)

- Instability in the Chief Business Official and Superintendent positions (been with the district less than two years)

Leadership turnover in multiple positions has been constant since 2015 after Dr. David Hutt retired. Dr. Cheryl Olson was hired as Superintendent in July 2015 and resigned in June of 2017. Dr. Stella Kemp followed in

August of 2017, but she too resigned less than two years later, in June of 2019. Dr. Sharon Kamberg replaced Dr. Kemp in August of 2019. She served one year as Interim Superintendent through June of 2020. At Dr. Kamberg's final Board meeting, she publicly shared that the Board's dysfunction continually interfered with the District's ability to appropriately support its superintendent and as a result, stalled its efforts to improve learning conditions for students. Current Superintendent José Espinoza, who was hired in July of 2020, will complete his last day of service on December 31, 2021, acting on a mid-year resignation amid Board overreach and disregard for adhering to appropriate Board boundaries.

All told, the District has cycled through five superintendents in six years. Similarly, over the past five years there have been four Chief Business Officials and five Student Services/Special Education Directors. The revolving door in key leadership positions has created frustration, poor morale, and instability within the District. District staff have expressed a deep desire for stability and continuity within the senior leadership team.

- Lack of regular communication between the superintendent and all members of the administrative cabinet

District staff repeatedly cited a lack of communication within the District Office (DO), and between the DO and the school sites. In November 2019, the SMCOE recommended the following to help restore positive lines of communication:

- 1) Establish intentional & frequent communication between the Superintendent and the DO Staff
 - a) Quick e-mail briefings regarding current issues confronting the District to ensure DO staff is well-informed and can respond to questions from the community and site staff members
 - b) Regularly scheduled brown-bag lunches or coffees with the Superintendent and Senior Leadership Team to share more in-depth information about SBP, seek staff input, and respond to staff questions
 - c) Continuation of Superintendent's "open door" policy
- 2) Institute frequent communication between DO and school site staff
 - a) Quarterly meetings involving relevant DO staff, site principal, and site support staff customized to fit each school's profile would provide site staff with a better understanding of why they're asked to provide requested data and information. This would also give DO staff a better understanding of challenges faced by the sites
 - b) Ensure site staff have the training to respond efficiently and effectively to DO requests
- 3) Increase informal communication between DO leadership team and DO support staff. Quick hallway conversations, chats in the parking lot, or encounters in the staff room can help rebuild a sense of camaraderie among DO staff and would demonstrate that the leadership team cares about the support staff as people, not just as workers

District staff reports continued low morale. The constant turnover in DO leadership has not allowed for informal communications to improve within the district and in fact, may have further eroded internal communications and morale.

- Timely training on financial management, budget and governance is not provided to site and department administrators who are responsible for budget management and decision-making

The need for staff training came up frequently in conversations with DO and school site staff, who expressed frustration because they may not have the training they need to perform their jobs adequately. Staff training is a compelling requirement for fulfilling job responsibilities efficiently and accurately. In 2019, the SMCOE recommended the following steps be taken:

- 1) Every staff member, no matter their location, needs a crystal clear understanding of why their work is important and how their role fits into the larger picture of District and state requirements.
- 2) Customized trainings and “refresher” courses should routinely be provided.
- 3) The principals are key players in setting expectations. They need a strong foundational understanding of why data and requested information are vital. The principals must understand the importance of accuracy and timeliness in submitting site data and reports.
- 4) If new responsibilities are added to existing staff member duties, then individualized training must be provided. This may mean hiring an additional tech person to assist with training or SBPSD could explore a position shared with a neighboring district.

SMCOE is not aware that additional or improved trainings have been implemented by the District.

- Board policies and administrative regulations routinely ignored, not adopted, not updated, not implemented, or communicated to staff

In 2019, District staff expressed great frustration with the lack of district-wide procedures and protocols. They do not feel they have clear guidelines or expectations and often are left to their own devices to accomplish their work. They feel the lack of District-wide expectations also leads to the sites not prioritizing the submission of required reports and data in a timely manner.

The SMCOE recommended implementing the following steps:

- 1) SBPSD must develop clear protocols, systems, and procedures with clearly defined roles and responsibilities for all DO staff. DO staff should be involved in helping craft these.
- 2) SBPSD must develop procedural and desk manuals so each employee has a clear understanding of job-specific expectations and procedures. Again, DO staff should assist in developing these.

SMCOE is not aware the District has updated their Administrative Regulations, operating procedures, or desk manuals.

- Micromanagement by board members

A common theme raised by departing District leaders is frustration at Board Members’ micromanagement, which interfered with staff’s ability to focus on District priorities. Board members give directives to staff without including the superintendent, share confidential information from Closed Session, independently communicate critical information inappropriately on social media, and chastise and belittle staff in public meetings. Every staff member mentioned poor staff morale as a critical issue. They repeatedly noted the churn and drama of the past five years have made them feel wary, overwhelmed, tense, and cynical because they’re uncertain of how they’ll be affected by District-level political dynamics.

Related Issues of Concern (FCMAT Indicator #15)

Furthermore, review of the District's 2021-22 Original Budget documented areas where Criteria & Standards were "Not Met" in the Standardized Accounting Code Structure (SACS) reporting document. The following are areas of fiscal concern:

- Enrollment
 - Budgeted enrollment decline not consistent with enrollment variance level.
- Local Control Funding Formula (LCFF) Revenue
 - Estimated increase in Basic Aid funding not within standard range.
- Contributions
 - Increased contribution to Nutrition Services fund projected cost increase of 54.1% in 2021-22 with no increases in the MYP for fiscal years 2022-23 and 2023-24.
- Status of Labor Agreements
 - As noted in SMCOE's Local Control and Accountability Plan and Adopted Budget letter issued Sept. 24, 2021, SBPSD has not settled negotiations with its labor groups. SMCOE reminded the District to conduct thorough pre-settlement analysis of any proposed collective bargaining agreement and provide disclosure documents as required per Assembly Bill (AB) 2756.

Next Steps – Lack of Going Concern

In accordance with Education Code Section 42127.6, the County Superintendent of Schools shall perform any or all of the following actions necessary to ensure the District meets its financial obligations:

- 1) Assign a fiscal expert, paid for by the County Superintendent, to advise the District on its financial problems.
- 2) Conduct a study of the financial and budgetary conditions of the District including a review of internal controls. If expertise is needed for the study, the County Superintendent may hire staff with the approval of the Superintendent of Public Instruction. The District shall pay 75 percent and the County Office of Education shall pay 25 percent of these staff costs.
- 3) Direct the District to submit a financial projection of all fund and cash balances of the District.
- 4) Require the District to encumber all contracts and other obligations, to prepare appropriate cashflow analyses and monthly or quarterly budget revision, and to appropriately record all receivables and payables.
- 5) Direct the District to submit a proposal for addressing the fiscal conditions that resulted in the determination that the District may not be able to meet its financial obligations.
- 6) Withhold compensation of the members of the Governing Board and the District Superintendent for failure to provide requested financial information.

SMCOE plans to take the following actions to assist the District in its financial recovery:

- SMCOE requires a Fiscal Health Risk Analysis to be completed by FCMAT at its earliest availability.
- Direct the District to submit a financial projection for the General Fund. Specifically, SMCOE directs SBPSD to revise its Multi-Year Projection to include enrollment projections based on trend analysis and ensure budget includes estimates for both one-time revenues and expenditures.

Within five days of the County Superintendent of Schools making the Going Concern determination, the district may appeal the determination to the Superintendent of Public Instruction. The Superintendent of Public Instruction shall sustain or deny the appeal within 10 days.

If the governing board of the school district appeals the determination, the County Superintendent of Schools may stay any action of the governing board of the school district that the County Superintendent of Schools determines is inconsistent with the ability of the school district to meet its financial obligations for the current or subsequent fiscal year until resolution of the appeal by the Superintendent of Public Instruction.

It is SMCOE's intent to comply with Education Code 42127.6 and provide progressive fiscal oversight and intervention related to San Bruno Park School District. Our intent is that the Fiscal Health Risk Analysis will identify opportunities for improvement that the San Bruno Park School District will implement in an effort to ensure fiscal and operational health and stability for the benefit and education of the students it serves.

Sincerely,



Nancy Magee
San Mateo County Superintendent of Schools

cc: Michael H. Fine, Chief Executive Officer, FCMAT
Kevin J. Bultema, Deputy Superintendent, Business Services, SMCOE
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